

NEWS SUMMARY

GENERAL

Fury at China border killing

China and the Soviet Union lodged formal protests against each other after an incident on the Soviet border adjoining China's north-western Xinjiang province in which a Chinese official was killed.

The incident, on July 18, which appears to be the most serious since a similar clash in May 1978, is likely to sour Sino-Soviet relations just as plans for talks between the two countries on improving relations are being completed.

The Soviet Union last year rejected Chinese proposals for talks after Peking had demanded the withdrawal of Soviet troops from the Russian and Mongolian borders. It is believed 550,000 Russian troops face a force of about 1.3m Chinese along the border. Back Page

No relaxation

Mrs. Thatcher, the Prime Minister, said there was no question of minimum lending rate being cut as long as demand for credit and bank borrowing remained at its current rate. Back Page

Craxi falls

Italy's Socialist leader Bettino Craxi resigned as Premier-designate after the Christian Democrats formally rejected his attempt to form a coalition. Back Page

Monopoly stays

A bid by backbench MP Mr. Peter Grieve (Leamington) to introduce a private member's bill to break the Post Office mail monopoly was defeated by 210 votes to 187 in the Commons. Parliament Page 8

Sinai handover

Israel will hand over a second section of Sinai to Egypt today in spite of disagreement over the UN force which should be stationed between the two sides. Page 3

RUC chief

Sir Kenneth Newman, Chief Constable of the Royal Ulster Constabulary since 1973, is to resign to take over as commander of the police staff college at Bramshill, Hampshire. Page 6

Hovercraft plan

Giant hovercraft, designed to compete with passenger car ferries over routes of 200 miles, are planned by the British Hovercraft Corporation. Page 7

Actors protest

More than 3,000 members of Equity, the actors' union, marched through London's West End in protest against increases in VAT and cuts in Arts Council grants and public spending. Page 6

Uganda talks

The first of two conferences on rebuilding Uganda's economy, attended by friendly governments and international organisations, opens in Kampala today. Page 8

Super Yankee

American Gerry Spess arrived in Falmouth last night in his 10 ft Yankee Girl, the smallest boat to make the west-to-east Atlantic crossing. Page 1

Liquid assets

Burglars who broke into a house in Aachen, West Germany, left a note for the owner saying: "Financially a dead loss, but your wine is fantastic. Cheers." Page 1

Briefly...

Two airmen were killed when an American Air Force F-111 fighter crashed into the sea off Witherness, North Humberside. Giant oil slick caused by last week's collision of two supertankers off Tobago is still breaking up, reducing the threat to the island's beaches. Page 1

CHIEF PRICE CHANGES YESTERDAY

Prices in pence unless otherwise indicated

RISERS		FALLS	
ndng. 5pce	82.94	556	+1
cas. 15pce	1996	5120	+2
Med Textile	144	+4	
sscd. Tea Estates	30	+3	
ronnel Tunnel	130	+25	
rotherm	308	+8	
ghan (B. and I.)	69	+3	
stWest Bank	355	+5	
rop. Reversionary	147	+5	
stock Conversion	374	+4	
UC Investments	245	+5	
FALLS			
Clifford's Dairies A	76	-4	
European Ferries	1291	-41	
Hunting Gibson	370	-8	
ICL	436	-4	
Kitchen Queen	57	-3	
Lloyds Bank	318	-5	
Sieba Gorman	168	-32	
Staveley	262	-24	
Stylo Shoes	182	-7	
Tricoville	80	-4	
Vinten	148	-6	
Anglo American	333	-7	
MIN Holdings	168	-5	
Union Corporation	330	-7	

BUSINESS

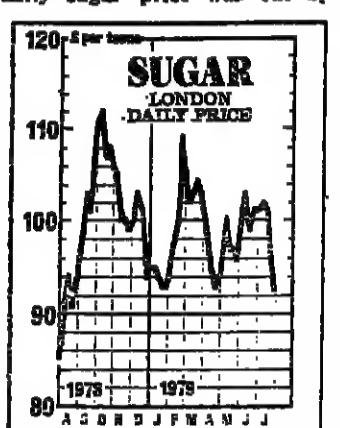
Gilts stronger; Sugar falls £4

GILTS: A further boost for sterling ensured all-round strength for Government stocks on the eve of today's tenders for the largest-ever tax stock issue. Gains in long-term gilts extended to 1 and the Government Securities Index rose 0.37 to 73.96.

EQUITIES: An early improvement was found to lack substance and values began to drift back. The FT 30-Share Index was 1.7 higher at noon but closed only 0.3 better at 467.6.

Wall Street was up 3.76 at \$29.37 before the close.

SUGAR: World values fell heavily again and the London daily sugar price was cut by 4 to 292.50 a tonne, its lowest since August 1978.



£4 to 292.50 a tonne, its lowest since August 1978.

STERLING rose 1.35 cents to close at \$2.3250 and its trade-weighted index closed at 73.6 (73). The dollar's trade-weighted index eased to 82.7 (83.3).

GOLD closed in London at a record \$305.1, a rise of \$1.4.

ADULT unemployment is no longer falling. The steady decrease in the spring and early summer halted over the last month and notified vacancies have started to decline. Back Page; Regional map, Page 7

BRITISH industry's real profitability was likely to be halved this year, Sir John Greenborough, president of the Confederation of British Industry, told a Financial Times conference. Page 6

ADVISORY Conciliation and Arbitration Service officials had informal talks with engineering union leaders about the industry's pay dispute. A national overtime ban is scheduled to start on Monday. Page 5

AGREEMENT between French steel companies and the unions on measures to reduce the industry's workforce by 21,000 was held up when the CGT Labour organisation refused to endorse parts of the pact.

CONFEDERATION of British Industry, in a code of practice to be published shortly, recommends companies to adopt open-style management and to consult with employees. Page 7

PRICE COMMISSION, in its final company investigation, has given Shell UK Oil a virtually clean bill of health but says a policy of short-term profit maximisation would not be justified at present. Page 7

SCOTCH whisky exports fell by more than 7 per cent to 45.7m proof gallons in the first half of 1979, the first drop in overseas sales for many years. Page 4

COMPANIES

WHITBREAD, the brewing group, forecasts a reasonable result for the first six months of 1979 on the basis of increased beer sales. Page 16

XEROX CORPORATION of the U.S. reports a 20 per cent rise in second-quarter net income to \$152m. Page 18

British Gas makes record profit: will lend to Government

BY RAY DAFTER, ENERGY EDITOR

British Gas, which announced a record pre-tax profit yesterday of £360.7m, will soon begin lending money to the Government.

The State-owned gas operations have become so profitable that the corporation has received Government approval to begin depositing its excess cash with the National Loans Fund.

Under this agreement, shortly to be ratified, British Gas will be able to draw on its holdings to pay for major replacement or development projects.

This is unlikely to be necessary until at least the mid-1980s. Until then the corporation expects to be able to fund its investment of about £350m a year from internal sources.

In spite of its favourable financial position the corporation is anxious to begin increasing the price of gas to its 14.3m domestic customers.

In April next year, when the Government-imposed price freeze on domestic tariffs expires, British Gas may press for a rate increase of about 20 per cent.

Assuming no further Government controls, the corporation would then aim to continue raising domestic tariffs in real terms for several more years.

Sir Denis Rooke, chairman of the corporation, said that domestic gas prices had fallen out of line with the costs of other fuels and the price of gas



Sir Denis Rooke: Domestic prices out of line

bought by commercial and industrial users. The domestic tariffs did not reflect increasing costs of offshore gas supplies.

These price rises will push British Gas profits even higher. Within the corporation, I under-

stand, it is thought quite possible that pre-tax profits will reach £1bn by the early 1980s. This in turn will influence the amount of cash deposited in the National Loans Fund.

The corporation's profit of £360.7m in 1978-79 was made on a turnover of £2.97bn and net assets of £2.14bn (at historic cost).

The profit, double that of last year and over 10 times more than that of 1976-77, was achieved for three basic reasons, said Sir Denis.

Gas sales were higher than ever before; the corporation had completed writing off natural gas conversion costs and displaced plant in the previous year; and interest charges were lower because of early repayment of Government loans.

In the past three years British Gas has repaid to the National Loans Fund over £1.25bn. The outstanding balance of £115.5m was being repaid this week.

From now on the corporation will deposit money with the fund, perhaps as much as £500m in the current financial year.

It will become the first State-owned company to do so.

Fears of extra OPEC rise as dollar slips

BY RAY DAFTER, ENERGY EDITOR

THERE IS growing concern within the oil industry that the Organisation of Petroleum Exporting Countries may convene an extraordinary price-fixing meeting in September.

This arises from the continuing slippage in the dollar's value and from spot market activities of some OPEC members, in breach of the compromise deal negotiated at last month's ministerial conference.

Dr. Mans al-Otaibi, president of OPEC and the United Arab Emirates Minister of Oil, said last week that he might call a September meeting if this was warranted. OPEC ministers are next scheduled to meet in Caracas, Venezuela, in December.

In spite of much central bank support, the value of the dollar is still slipping. Since early June its value has fallen by 3.5 per cent, and the trade-weighted index as calculated by the Bank of England.

It has even fallen by 1 per cent from the time of last month's OPEC meeting.

While oil market conditions are far more stable now than earlier this year—partly due to Saudi Arabia's extra 1m barrels a day of production—companies are becoming increasingly concerned about fringe spot deals.

For instance, OPEC is selling an important part of its July crude oil output on the spot market at a price reported to be \$34 to \$35 a barrel, some \$13 over its term contract price. At their June OPEC meeting, oil ministers agreed to a ceiling price of \$23.50 a barrel.

Qatar is reported to have advised buyers that it wants to renegotiate contracts and when they expire is likely to charge prices based on spot markets for part of its exports. OPEC members are also being asked to put a price premium of at least \$1 a barrel or

more—in addition to next year's still-to-be-agreed prices. Industry reports suggest that Iraq wants the premium paid in advance of the contract deals.

Iran is said to be making limited quantities of oil available on the spot market and possibly seeking prices as high as \$35 to \$37 a barrel.

On the other hand, Saudi Arabia's extra 1m b/d production is being supplied at the official OPEC price: \$18 a barrel in the case of Arab Light crude. What is also significant is that Petroleum Development Corporation, the state oil corporation, will market one-fifth of the incremental production itself.

According to Petroleum Intelligence Weekly the four U.S. partners in the Arabian American Oil Company (Aramco)—Exxon, Standard Oil of California, Texaco and Mobil—will lift the remaining 800,000 b/d under individual allocations

NatWest profit up 102%

BY CHRISTINE MOIR

NATIONAL Westminster Bank yesterday reported a 102 per cent rise in interim pre-tax profits compared with the 60 per cent improvement revealed at Lloyds last week.

Domestic banking provided the main impetus—average base rate rose from 7.48 per cent to 12.64 per cent between the two periods and from 10.72 per cent at the year end—but overseas earnings also increased by 30 per cent in total. International Westminster Bank profits rose by 80 per cent.

Market reaction was cooled by warnings that second half performance might not match the first, as increased operating costs, largely salaries, clash with an expected reduction in minimum lending rate towards the end of the year.

The dividend increase was also regarded as not over-generous. NatWest is giving shareholders a 25 per cent net increase: Lloyds handed out 35

per cent. For the whole year, shareholders can expect about 16.4 per cent net compared with 12.8 per cent last year, Mr. Robin Leigh-Pemberton, NatWest chairman, intimated.

The bank sector required a high level of retentions, he said. NatWest planned to write off £86m of goodwill from reserves in connection with the recent £200m acquisition of the National Bank of North America.

The interim figures included two months of NBN which was breaking even after funding costs. The slightly depressing effect that acquisition has had on free capital ratios has also been offset by the benefits of the recent loan stock issue. Overall ratios were little different from the year end figure of 4.1 per cent.

Mr. Leigh-Pemberton spoke of the inhibitions created by the Bank of England "corset" on

lending and admitted that the bank was close to its limit there. High rates of interest had so far had no visible effect on personal loan demand and industrial demand was static.

While announcing £18.4m of undifferentiated provisions against bad debts—£23.4m last time—Mr. Leigh-Pemberton supported the principle of greater disclosure by the banks. However, he doubted whether a division could be made between specific provisions for any given year and general provisions against latent risks.

The market's assessment of these factors resulted in a 5p rise in the shares to 355p. Midland and Barclays have still to publish their figures. Midland's shares put on 2p in the market to 382p and Barclays remained unchanged. Lloyds continued to lose ground and are now 318p having been 332p prior to their Friday figures. Lex, Back Page

Power workers threaten action

By Philip Bassett, Labour Staff

Leaders of Britain's 96,000 electricity supply manual workers yesterday gave two weeks' notice of industrial action in the power stations after a pay offer worth about 14 per cent was rejected in a secret ballot by 3 to 2.

The warning appears to pose serious difficulties for the Government from one of the country's most powerful industrial groups. But there were indications yesterday that the action might be headed off by the employers meeting the manual workers' claim for an increase comparable to that won by the industry's 27,000 engineers.

Union negotiators did not rule out the possibility of unofficial action but fore official action.

Mr. Frank Chapple, chairman of the trade union side, said a strike was unlikely to be the form of action chosen. But Mr. Jack Biggin, union side secretary, said: "If they do not come forward with a satisfactory offer which matches what they have given to the engineers then there is absolutely no doubt there will be industrial action."

Any action taken would be gradual, and could include refusing co-operation, working to rule and an overtime ban.

Unofficial estimates that the revised offer would be rejected were borne out, with 49,151 voting against it and 14,087 in favour. The majority of 15,064 was much smaller than in the previous ballot in April. Then an offer was rejected by 3-1.

Yesterday's rejected offer gave new money increases of 55 backdated to March, with a further £2.50 a week from October and consolidation of previous supplements. This is valued at about 14 per cent.

The engineers' deal gives 12 per cent from February, 8 per cent from September and 3.5 per cent from November plus arbitration on a further 10 per cent. The Electricity Council says this will add 14.4 per cent to the engineers' wages bill for this year.

Mr. Bill Prior, council member for industrial relations, said: "In our terms we can meet the manual workers' requirement of a comparable offer."

A comparable increase in the manual workers' pay bill costs might not be enough to satisfy some of the more militant manual workers, who see the engineers as having won 25 per cent over a year. ACAS talks with engineers, Page 8

Sterling up to highest level since 1975

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A FURTHER sharp rise in sterling yesterday fuelled City speculation that the new £1.5bn long-dated gilt-edged issue would be well supported, and possibly fully subscribed, when lists closed this morning.

Demand for the pound was again reported heavy, particularly from New York, and any profit-taking was easily absorbed.

The trade-weighted index jumped by 0.6 points to 73.6. This is a rise of 3.6 per cent in the last 10 days, and of 15.2 per cent this year. The index has moved to its highest level since October 1975.

Sterling rose by 2.35 cents against the dollar to \$2.3250, its highest close since May 1975 and an increase of 9.8 cents in the last 10 days.

The pound has risen almost equally sharply in the last two weeks against the main Continental currencies. The rate yesterday rose from DM 4.17 to DM 4.204, against DM 4.084 at the beginning of last week.

The strength of sterling helped boost prices of long-dated gilt-edged stocks by 1/2 of a point after earlier gains of a point.

The rise in price has increased

attractions of the new 11 1/2 per cent Treasury 2003-07, especially as only £15 per cent has to be submitted with tenders today.

There were reports yesterday of overseas interest, but last night gilt specialists were still uncertain whether the stock would be fully subscribed.

Many large investors appear to be waiting until this morning before deciding both on the size of their applications and on the price at which they will tender.

In contrast to sterling, the dollar traded within a narrow range yesterday. The West German Bundesbank, the Swiss National Bank and the U.S. Federal Reserve appear to have unofficial support levels for the U.S. currency.

In particular, there are signs of Central Bank intervention when the dollar threatens to slip below DM 1.80; last night the rate was DM 1.8050, against DM 1.8115 previously.

The price of gold continued to rise in response to the dollar's problems. It increased per ounce by \$3.1 to \$309.1, after touching an all-time high of \$309.1.

Lex, Back Page

Blumenthal doubts on role of successor

BY DAVID BUCHAN IN WASHINGTON

MR. G. WILLIAM MILLER, the newly-designated U.S. Treasury Secretary, may find it hard to preserve anti-inflation and economic policies intact against political pressures by the White House staff. Mr. Michael Blumenthal, the outgoing Secretary, has told close Treasury associates.

The issue of who will now dominate U.S. economic policy-making has been posed by the Carter Cabinet shake-up and the simultaneous elevation of the controversial Hamilton Jordan to the post of White House chief of staff. The resulting uncertainty has unsettled the U.S. dollar on exchanges abroad.

A Treasury leak on Monday reported Mr. Blumenthal's feeling that Mr. Miller, at present Federal Reserve Board chairman, would prove an excellent successor to carry on existing Administration policies.

But it was remarkable, Mr. Blumenthal has told colleagues, that Mr. Miller speedily accepted the Treasury job without conditions.

Mr. Blumenthal is known to feel that it took him far too long, until May this year, to establish himself clearly as chief economic spokesman for the Administration.

Mr. Blumenthal and Mr. Miller, who are close friends, regard themselves at one on the immediate direction of U.S. economic policy. On Monday they echoed one another's words, warning against tax cuts or spending increases that might reduce unemployment, but fuel rising inflation.

But the unemployment rate, which the Administration has forecast will rise to 6.9 per cent by the time of the November 1980 Presidential election, will be a prime political consideration for Mr. Jordan who, in his Continued on Back Page

5 in New York

	July 25	Previous
Spot	\$2.3250-\$2.3250	\$2.3200-\$2.3200
1 month	1.56-1.58	1.56-1.58
3 months	1.56-1.58	1.56-1.58
12 months	2.94-2.94	4.05-2.98

Are you wide awake to the investment openings you dream about?



When you're nodding off that's just the time New Zealand is buzzing with activity.

So is NBNZ.

The National Bank of New Zealand. We have an enviable pioneering record in New Zealand and the South Pacific with the advantage of being part of the Lloyds Bank Group—just the sort of company you want to keep when you are seeking new investment opportunities or developing export markets.

We have branches here and throughout New Zealand, where we are the only wholly-owned British Bank. And remember when the time comes New Zealand is the ideal stepping-stone to many Pacific markets.

As your next step call Fred Adams on 01-606 8311. It may prove to be a step in the right direction.

The National Bank of New Zealand Limited



a member of the Lloyds Bank Group

THE NATIONAL BANK OF NEW ZEALAND LTD, 5 MOORGATE, LONDON EC2R 6DS. TELEPHONE: 01-606 8311

Official 1979

EUROPEAN NEWS

Fanfani may try to form government

BY RUPERT CORNWELL IN ROME

THE Christian Democrats yesterday destroyed conclusively if not entirely unanimously, the two-week-old attempt by Sig. Bettino Craxi to form the first Socialist administration in Italy since the war.

Following a tersely worded rebuttal of his proposals by the long-ruling party, the Socialist leader finally admitted defeat. Last night he reported his failure to President Sandro Pertini, leaving the country's seventh-month Government crisis further than ever from a lasting solution.

All political speculation now centres on the next move by the 82-year-old President, after the ill-fated efforts of first Sig. Giulio Andreotti, the Christian Democrat caretaker Prime Minister, and now Sig. Craxi, to form an administration.

It is possible that Sig. Pertini may, whatever his misgiv-

ings, entrust the task to Sig. Amintore Fanfani, himself a former Christian Democrat Premier. A mandate to Sig. Fanfani, president of the Senate, and the second-ranking figure in the Republic, would be on an "institutional" basis to try to put together a government aloof from party squabbling.

If Italy is to have any solid government in this Parliament, the divisions and rancour exposed by Sig. Craxi's bid will have to be overcome, and an understanding reached between the Christian Democrats and Socialists. For that reason, Sig. Pertini may opt for a holding solution.

The veto came after Sig. Craxi had played his last card by presenting to his would-be partners—Christian Democrats, Social Democrats, Republicans and Liberals—an outline pro-

gramme coupled with a political declaration of intent.

Neither, however, measured up to the stern conditions laid down by the Christian Democrats as the price for giving up their 34-year grip on the prime ministership. Last night, the party described Sig. Craxi's proposals as "inadequate and therefore unacceptable."

Significantly, though, the tough document published afterwards was opposed by Sig. Arnaldo Forlani, the current Foreign Minister, while key sections of it drew no more than abstention by four other members of the Christian Democrat ruling council.

Like Sig. Fanfani, his political mentor, Sig. Forlani has taken a tolerant view of the Socialist bid, in sharp contrast to Sig. Benigno Zaccagnini, the party secretary general and his supporters.



Sig. Amintore Fanfani

Price rises trigger Spanish pay review

By David Gardner in Madrid

THE SPANISH consumer price index rose 0.9 per cent in June, bringing the increase for the first six months of this year to 7.5 per cent. The index has, therefore, crossed the 6.5 per cent threshold fixed by the Government as the point at which this year's wage settlements would be reviewed.

The rise in the consumer price index, although an improvement on last year's six monthly figures of 8 per cent, presents the Government with a delicate problem at a time of general economic difficulties. Today the Cabinet meets to approve a medium-term long-term economic programme, already two weeks overdue.

In December, the Government steamrollered through by decree an 11-14 per cent wage ceiling for 1979, and unified opposition by incorporating the threshold clause, which then represented about half of this year's inflation target.

The Government has yet to agree on a mechanism for the wage review, and the two major unions—the Socialist Union General de Trabajadores (UGT) and the Communist-led Comisiones Obreras (CCOO)—have also failed to come up with a joint strategy on the issue.

The Government's economic team is in favour of an automatic rise of between one and two percentage points. This would incorporate the projected rate of inflation for the whole year, without covering the effect on prices of the recent oil price increase.

Sr. Fernandez Abril, Deputy Prime Minister in overall charge of economic affairs, strongly hinted last month that the Government fully intended to pass the OPEC increases on to the consumer, and stressed that wages would have to lag behind prices.

The Government's economic programme meanwhile, will make a major effort to curb this year's public sector deficit, expected to reach between Ptas 400bn-500bn (\$2.5bn-£3.5bn). The plan, while stressing the maintenance of growth and employment, is expected to cut Ptas 190bn off this deficit.

Current account deficit forecast for W. Germany

BY JONATHAN CARR IN BONN

WEST GERMANY is likely to have a current account deficit in 1980—its first for 15 years—according to a report released today by the IFO economic institute of Munich.

IFO believes that, because of the latest oil price increase, the small current account deficit might emerge this year, although the figures so far still show a surplus. But IFO estimates that the deficit next year could be as much as DM58bn (£22bn), compared with a DM17.5bn surplus in 1978.

The forecast is correct, its implications go well beyond the current account, which shows a balance when Germany's usual deficits on services and transfer payments have been subtracted from its traditional surpluses on foreign trade.

A long succession of current account surpluses has been a key factor in the constant appreciation of the West German currency. It has also, from time to time, stimulated

pressure on the Bonn Government from other trading nations which have felt West Germany should do more to boost its economy and increase imports.

The IFO study shows a reversal of the position early in this decade, when West Germany was able to avoid going into current account deficit even after the price of oil had quadrupled.

It points out that in the three years from 1972 to 1974, West Germany was on average lower than that of the 13 major Western industrial countries—current account, which shows a balance when Germany's usual deficits on services and transfer payments have been subtracted from its traditional surpluses on foreign trade.

German prices less competitive abroad, the impact of this had not so far worked through to affect the trade performance. Both factors helped West Germany build up its huge trade surpluses of DM 50.8bn

Chemical contract wraps up wage round

BY OUR ROME STAFF

A NEW contract has been agreed for the 320,000 workers in Italy's private-sector chemical industry. It grants, among other things, a significant cut in the working week, and virtually wraps up the country's current three-yearly round of labour negotiations.

The agreement, reached early yesterday after deadlock had seemed likely, means that almost all the pieces in the wage contract jigsaw have fallen into place, after the all-important metalworkers' deal was concluded a week ago.

Since then textile, construc-

tion and now chemical employees have settled and the major industries of the north will be able to close down the traditional one-month holiday next weekend without the worry of incomplete negotiations and the menace of a "hot autumn" of unrest when the factories re-open in September.

This encouraging news coincides with the announcement by the Bank of Italy of a substantial payments surplus (albeit lower than 1978's record level) of L1,395bn (£760m) in the first six months of this year.

In June alone the surplus

reached L242bn. But the first-half figure is below the L2,130bn (£1,150m) of the same period of 1978, providing further evidence that 1979 will see a surplus well down from the record L7,000bn of 1978.

As had always seemed likely, the terms of the latest batch of contract settlements reflect closely the concessions wrung from employers by the 1.5m metalworkers after six months of often bitter bargaining.

The chemical deal provides a standard week of 37½ hours for regular shift workers, improved rights of employees to informa-

tion about company policy, and a basic wage increase. For the chemical workers this will be L30,000 (£17) a month by 1981, the last year of the new contract's life. For the 1m building workers the rise is L40,000.

The question now is whether the gains made by the unions will add up to an increase in labour costs that might threaten the competitiveness of Italian products. To judge from reactions so far, subsequent contracts are considered by employers to be less onerous than the deal made with the metalworkers.

EEC seeks accord on oil register

BRUSSELS—EEC Foreign Ministers decided to co-ordinate action with the U.S. and Japan before starting an EEC scheme for registering all oil deals on the international market in Rotterdam, EEC officials said yesterday.

West Germany and Britain argued that hasty action by the EEC alone might divert crucial oil supplies from Europe to the Far East and Caribbean markets, they said.

France called for an immediate detailed check on the amounts and prices of oil passing through Rotterdam, but the EEC Commission told Ministers it was not ready to do this, and will make specific proposals in the autumn.

In Tokyo last month, the U.S., Canada, Japan, West Germany, France, Italy and Britain agreed to link their imports of oil and check international oil deals to combat the effect of rising oil costs.

However, the Netherlands, which did not attend the Tokyo summit, said it wants more information.

The Ministers approved a five-year EEC research programme into developing alternative energy sources, which is expected to cost up to \$150m, the officials said. Reuters

Swiss top of GNP league table

BY JOHN WICKS IN ZURICH

SWITZERLAND LAST year replaced Kuwait as the country with the highest per capita gross national product, according to a survey prepared by Union Bank of Switzerland. The study said almost all countries with a per capita rate of \$1,200 or more in 1978, registered an increase in real terms in GNP.

These countries showed a nominal rise in GNP of some \$1,200bn to about \$7,790bn, and this accounted for 90 per cent of the world's economic performance with only 35 per cent of total population.

The growth of Swiss GNP per head to \$13,853 last year, a jump

of no less than 39 per cent, is attributed by the bank almost wholly to the massive increase of the Swiss franc in terms of the U.S. currency. In fact GNP measured in Swiss francs rose by only 0.2 per cent in real terms in Switzerland last year. Kuwait showed a much smaller rise in nominal GNP value to an estimated \$13,000, which was due to the slight decline in oil prices in 1978.

Well below these two traditionally leading countries in nominal per capita terms were Denmark, with \$18,448, Sweden (\$10,440) and West Germany (\$10,415). Also ahead of the U.S., whose GNP was \$9,646 per

head last year, were Belgium (\$9,339) and Norway (\$9,849). The UK takes up twentieth position on the bank's list, with \$5,542, behind Libya and Finland and ahead of New Zealand.

The Union Bank of Switzerland, which stresses the difficulty of valid comparisons in the light of exchange rate fluctuations, anticipates a further increase in per capita GNP for nearly all the countries on its list during 1979. Growth is seen as likely to be of some 2 per cent in the UK, compared with 4 per cent in West Germany, 3 per cent in the U.S. and 5 per cent in Japan.

Mortgage debt '86% of GNP'

BY OUR ZURICH CORRESPONDENT

THE SWISS mortgage debt per head of population is nearly 10 times that in the United Kingdom, a study published by Union Bank of Switzerland shows. Mortgage debt in Switzerland at the end of last year equalled 86 per cent of Gross National Product, with a per capita sum of SwFr 21,540 (£5,736). By comparison, the UK figure—of £37.3bn—represented 23 per cent of GNP and a per capita total of only SwFr 2,224.

In per capita terms, the biggest mortgage debt load in leading industrialised Western

countries is calculated by UBS as being that of Sweden, with SwFr 10,383, and the United States, with SwFr 9,003.

The bank gives as the main reason for the high mortgage volume in Switzerland, Sweden and the U.S. the fact that the amortisation obligation, particularly for first mortgages, was hardly applied until the Second World War. In Switzerland only 52 per cent of all mortgage commitments were subject to amortisation as recently as the end of 1977.

By comparison, French mortgage debt amounted to only 6

per cent of GNP at the end of last year, or SwFr 883 per capita, and 10 per cent in Spain, where the sum per head was only SwFr 738.

Mortgage rates differ very widely, the survey shows. Last month, first mortgages for housing were highest in Italy, at 14.8 per cent, and the UK, with between 11.75 and 13.9 per cent. In Switzerland the rate on July 1 for existing first mortgages was only 4 per cent, while the June figure in Japan was 5.5 per cent and that in West Germany 6.1 per cent.

Denmark's output 'will level off'

By Hilary Barnes in Copenhagen

DANISH industrial production is expected to level off in the third quarter, after increases in the two previous quarters, the country's Bureau of Statistics says in its quarterly business expectations survey.

In the second quarter, 35 per cent of companies said output increased, against 13 per cent which said it had fallen. For the third quarter, the same number expect output to increase, as expect it to decline.

In the second quarter, employment, exports and domestic orders all increased, but while orders are expected to rise again in the present quarter, the demand for labour is likely to fall off.

Preliminary foreign trade figures showed a June deficit of Dkr 1.8bn (£150m) against Dkr 0.7bn in June last year. First-half deficit was up from Dkr 2.9bn (£260m) to Dkr 9.8bn.

Second quarter imports rose by 18.4 per cent to Dkr 23.36bn (£1.9bn) and exports by 7.1 per cent to Dkr 17.97bn. For the first half, imports were up 15.5 per cent to Dkr 45.3bn (£3.7bn) and exports 11.8 per cent to Dkr 35.75bn.

The consumer price index in June rose by 0.9 per cent and in the 12 months to June, by 8.5 per cent. This compares with a rise of 7.1 per cent in the 12 months to the end of last December.

Dutch Royalty wrangle settled

BY CHARLES BATCHELOR IN AMSTERDAM

THE FORMAL constitutional position of Queen Juliana and the other members of the Dutch royal household has been settled after years of wrangling. Membership of the royal house has now been defined in a Bill which will go before Parliament, although the question of ministers' responsibility for the actions of the royal house will be left the subject of an informal agreement.

The Dutch royal household has now been defined as the Queen herself, her husband Prince Bernhard, her two daughters, Princess Beatrix (the Crown Princess) and Princess Margriet, their husbands and children. Queen Juliana's two other daughters, Princess Irene and Christina, are not considered members of the royal household, since they formally gave up the right to accession when they married.

Queen Juliana, who was 70 in April, had long opposed a tighter definition which would have excluded Princess Margriet and her family.

The constitutional position of the royal house was known to be one of the issues which the Queen wanted settled before she stepped down. However, rumours that she planned to abdicate soon were stopped in March when Mr. Dries van Agt, the Prime Minister, said that he believed she intended to stay on the throne for some years yet.

The Bill now proposed largely formalises the existing position, in particular by excluding ministers' responsibility for royal actions from the legal framework. This will continue to be regulated on an informal basis, with frequent consultations between the Queen and ministers.



Queen Juliana

Trade gap narrows in first five months

BY OUR AMSTERDAM CORRESPONDENT

THE NETHERLANDS' foreign trade position improved in the first five months of 1979, while an industry-wide survey showed foreign sales are expected to increase in the period from July to September. The overall trade balance in the first five months was still substantially in deficit, however, while in May alone the deficit increased.

Provisional Centre Statistics Office figures showed a trade deficit in May 1979, of F1 600m (£147m) in May, compared with a F1 800m (£190m) deficit in May 1978. Imports rose to F1 11.6bn this year, from F1 9.5bn in 1978, while exports rose to F1 10.8bn, from F1 8.9bn.

The deficit in the first five months as a whole fell, however, to F1 1.3bn, from F1 1.7bn in 1978. Imports rose to F1 52.2bn, from F1 47bn in 1978, while exports rose to F1 50.9bn, from F1 45.5bn.

If the effects of imports and exports of oil and oil products, ships and aircraft is disregarded, the trade position in May was in balance, with imports and exports totalling F1 9.5bn. In May, 1978, imports, at F1 8.5bn, exceeded exports by F1 300m.

The Central Statistics Office's monthly review of industry showed increased activity in June, although no further

improvement is expected in this quarter. A rise in foreign sales is expected, however.

In June, 78 per cent of companies questioned reported that stocks were normal, compared with 79 per cent a month earlier, while 10 per cent said they were too small, compared with 9 per cent in May.

Only 10 per cent of companies said demand was insufficient in June, compared with 15 per cent in May, but more said that a shortage of labour was hampering production. In June, 16 per cent reported manpower shortages, compared with only 13 per cent in May.

Norway, U.K. to discuss gas-gathering plan

BY WILLIAM DULFORCE, NORDIC CORRESPONDENT

THE NORTH SEA gas-gathering pipeline project will be a major topic at talks in London on Thursday and Friday between Mr. Trygve Tambursten, Minister of State at the Norwegian Oil and Energy Ministry, and Mr. Hamish Gray, his British counterpart. They will also review work on the Staffin Field, which straddles the North Sea dividing line.

Norway was taken by surprise when the new British Government commissioned the British Gas Corporation and Mobil to make a new feasibility study of a gas-gathering pipeline. The Labour Government had

accepted the finding of an earlier commission that the pipeline was not required, thereby also killing the idea that a joint British-Norwegian pipeline could be built.

The Conservatives' action has revived the possibility of a joint pipeline, but has also put pressure on Norwegian timing schedules. The Oslo Government has been waiting for the results from exploratory drilling this summer on newly licensed blocks to decide whether it has sufficient reserves to warrant construction of its own pipeline to land gas on the Continent. Both the French and the West Ger-

mans have offered to help finance the new pipeline.

The Norwegian Oil Ministry believed it could delay a decision until the middle of next year, although companies with interests in the Staffin Field have been pressing for quicker action. They fear that re-injection of the gas released during oil production could harm the petroleum-bearing structures.

Mr. Tambursten will sound out the British Government's intentions on North Sea gas and, in particular, its attitude to re-exporting Norwegian gas landed in Britain to the Continent. The French are under

stood to have rejected the idea of a cross-Channel link, but the Norwegians believe a system might be worked out under which British gas could be supplied to continental buyers in exchange for Norwegian gas delivered to the British network.

This week's meeting will be the first top-level political contact on oil matters between the new British Government and its Norwegian counterpart.

The Norwegian Minister of State will also see Sir David Steel, the chairman of British Petroleum (BP). BP is understood to be nearing a decision on whether to develop its discovery in block 7/2 on the Norwegian continental shelf.

The U.S. energy programme will benefit W. Germany's coal gasification industry, reports Guy Hawtin in Frankfurt

Forging ahead in the synthetic fuel race

WEST GERMANY, as the world's market leader in coal gasification technology, looks likely to be a major beneficiary of President Carter's \$88bn programme to develop alternative energy sources.

The basic technology for coal gasification has been around for years in Germany. It reached its peak in terms of its importance to the nation in the last year of World War II when synthetic fuels, produced from coal, provided the substitutes needed to keep the wheels of the German machine turning following the loss of the East European oil fields.

After the war coal-based synthetic fuels were no longer freely available—far more cheaply than the substitutes. However, although coal-based synthetics were eclipsed, they were by no means forgotten.

The companies which originally developed the technology maintained both their faith in its future and the research spending. Now, after

years in the economic wilderness, it looks as though that faith may pay off.

There are two leading German companies in the coal gasification field. Lurgi-Gesellschaft, the engineering subsidiary of Metallgesellschaft, and Krupp-Koppers, a subsidiary of the Krupp steel making concern.

The Germans say they have such a clear lead in the technology that, for the time being at least, they virtually have the field to themselves. They are the only people who can deliver coal gasification plants for the production of oil substitutes in commercial quantities with guaranteed performance levels.

About three dozen coal gasification projects are under way in the U.S. and about eight in West Germany. However, these

involve largely experimental plants capable of producing between one and six tonnes of oil substitutes a day, according to West German analysts.

Lurgi and Krupp-Koppers, on the other hand, have both already supplied plants capable of 1,000 tonnes a day capacity. Furthermore, all the latest orders for coal gasification plant have, effectively, been split between the two concerns.

Lurgi landed the order for a large coal gasification plant from China, while Krupp-Koppers secured the contract for a 600 tonnes a day plant sited at Rio Grande, Brazil.

The groups are also involved in many of the experimental projects, both in the U.S. and West Germany, which are seen as competing with the technology they themselves are



THE OIL SHORTAGE

currently offering. What they lose on the swings they are likely to gain on the roundabouts.

The salvation of West German coal gasification technology has been South Africa which is poor in oil but rich in coal. For obvious political reasons the South Africans have been anxious to cut back their dependence on imported oil

supplies and coal gasification technology has been the chosen road towards this goal.

Both Lurgi and Krupp-Koppers have designed and constructed plant in co-operation with Sasol, the South African state-owned fuel company. Krupp-Koppers put up a 1,000 tonnes-a-day capacity gasification plant, equipped also for the production of ammonia, at Modderfontein, for African Explosives and Chemical Industries. The ICI associate company.

Lurgi has developed three gasification plants for the South Africans at Sasolburg. Furthermore, it has also been heavily involved in developing a competing technology to gasification—the basic product of which is methanol—namely, coal liquefaction. A liquefaction

plant, with an output of some 5,500 tonnes of "synthetic" petrol—Sasol—a day, is now nearing completion.

After the recent round of OPEC price rises, costs of fuel substitutes are becoming increasingly competitive. Krupp-Koppers, for instance, estimates that assuming a coal price of \$30 a tonne, methanol can be produced to compete with oil at \$20 to \$21 a barrel. Current contract prices for crude oil are about \$20-\$22 a barrel.

Methanol, however, presents problems as a motor fuel. Currently, it is used in a 10 to 15 per cent mix with ordinary motor fuel because twice as much of it is needed compared with petrol for the same mileage.

However, according to Lurgi,

benzene and diesel oil can be produced from the methanol to compete with an oil price of \$25 a barrel. Although this price seems high, even compared with current contract rates, the group points out that it takes four to five years to bring such a plant into production—and that in that time the oil price is bound to rise further.

Capital investment costs are high. Lurgi reckons that a coal conversion plant for the production of benzene and light oil products costs between five and 10 times as much as for an equivalent crude oil refinery.

Krupp-Koppers reckons that a complete plant for the production of methanol from coal with an output of 1,000 tonnes a day costs about \$155m. A 1,500

tonnes-a-day plant works out at about \$210m and a 2,000-tonnes-a-day plant, \$250m. A subsidiary plant for the production of ammonia costs about \$20m to \$25m more.

The two groups' technology is considered to be ideal for the U.S. bituminous coal deposits where coal can be extracted at below the \$30 a tonne mark. But, ironically, West Germany is unlikely to benefit, at least in the foreseeable future, from its home-grown processes. At \$80 to \$90 a tonne extraction costs, German hard coal is still far too expensive.

However, Lurgi estimates that the vast deposits of brown coal in the Rhineland are ripe for exploitation. Methanol, it says, can be produced from it to compete with an oil price of \$25 a barrel.

FINANCIAL TIMES published daily except Sundays and public holidays. Subscription rates: £55.00 per annum (U.K.), £65.00 (overseas), plus postage. Single copies 10p. New York, N.Y., and other overseas mailing centres.

Jordan and PLO links weaker

By David Hume in Beirut

RELATIONS BETWEEN Jordan and the Palestine Liberation Organisation are turning sour again.

Recent signs have shown that the reconciliation has cooled between the two sides, who were brought together by their mutual opposition to the Egyptian-Israeli peace treaty.

An important hint has come from Mr. Yassir Arafat, PLO chairman, who had previously said that the U.S. had scored some success in making Amman change its attitude - which was one of total opposition to the treaty.

Mr. Arafat made the remark in a speech at the beginning of this month and repeated it in an interview published in the *Liberal Daily*, *As-Safir*, on Monday.

Since President Anwar Sadat of Egypt undertook his peace mission to Israel in November 1977, King Hussein and Mr. Arafat have met twice, on both occasions at the Jordanian town of Al Mafraq on the border with Syria.

The two leaders then declared that they were setting past differences aside. King Hussein, however, has adamantly rejected the PLO's request that he allow guerrillas to re-establish bases on Jordanian soil.

Jordan has made it clear through a declaration by Crown Prince Hassan 10 days ago that it has no intention of joining Syria, Iraq and the PLO in an eastern military front against Israel.

Last weekend the Jordanians sponsored a congress by some of their supporters resident in the West Bank and in East Jerusalem. It ended two days later in a resounding show of support for the PLO, which is reported to have angered Amman.

King Hussein is understood to have kept his dealings with the PLO and Mr. Arafat to a minimum so as not to revive support for the resistance movement among his Palestinian subjects.

King Hussein last week visited Saudi Arabia and Damascus amid speculation that he was trying to activate a new initiative for a Middle East settlement.

Israel to hand over second section of Sinai today

By David Lennon in Jerusalem

ISRAEL WILL hand over to Egypt a second section of Sinai today, despite disagreement over the UN force which should be stationed between the two sides.

In May, Israel returned El Arish in Sinai to Egypt, and today will hand over a 10,000 square mile section along the Suez Gulf coast, up to 70 miles inland. By the end of next January, three more sections will be handed over, giving Egypt control of two-thirds of the peninsula.

While this aspect of the peace agreement signed in March is proceeding smoothly, dispute has arisen over the UN force which is to help enforce the new arrangements.

It had been agreed in the peace treaty that UN observers should be stationed in Sinai.

But the mandate of the 4,000-strong UN Emergency Force (UNEF) in Sinai since 1975 was to have expired at midnight last night.

Because of Soviet objections to renewing the UNEF mandate, the U.S. had proposed that UNEF should be replaced by observers within the framework of the UN Truce Supervision Organisation (UNTSO). Israel rejected this because UNTSO is answerable only to the UN Secretary-General.

Israel wants the observers to derive their mandate from the Security Council, so there can be no repeat of the incident in 1967, when the Secretary-General withdrew the UN force on the Egypt-Israel border at the request of Egypt.

The U.S. and Israel were involved in intensive discussions yesterday in an attempt to work out a compromise. Meanwhile, the Israelis were going ahead with the second stage of the Sinai withdrawal, which is being arranged and co-ordinated directly with Egypt, without any UN mediation.

Reuter adds from Tel Aviv: Mr. Shimon Peres, Israel's opposition Labour Party leader, flew to Egypt yesterday for three days of talks with President Anwar Sadat and other Egyptian Government leaders.

At Ben Gurion Airport, he said he was carrying a personal message from Mr. Menhem Begin, Israel's Prime Minister. Mr. Peres said he would explain the Labour Party's hope that the peace agreement would soon become a new political reality through the normalisation of relations.

Warning on Soviet arms build-up

By Richard C. Hanson in Tokyo

THE REINFORCEMENT of Soviet military forces in the Far East has started to influence the military balance between the U.S. and USSR in the Western Pacific, the Japanese Defence Agency's annual White Paper, released yesterday, warned.

The Russians are close to a rough balance with the U.S. fleet, Defence Agency officials added.

Recent Soviet moves appeared to be in response to Chinese overtures to the West, particularly the deployment of the Soviet Kiev class aircraft carrier Minsk, and the planned stationing of the new backfire bomber in the Far East.

Since last summer, the USSR has also placed "considerable ground forces" with tanks and other fire power on two islands north of Japan, Kurematsu and Etorofu, which the Japanese Government claims as "intrinsic Japanese territory."

This year Japan will continue to concentrate its defence efforts

on the qualitative upgrading of forces, including the addition of early warning E-2C Hawkeye aircraft, navy vessels and ground force equipment.

The White Paper was issued one day before Mr. Ganri Yamashita, director-general of the Defence Agency, travels to South Korea for talks with defence officials there.

His trip marks the first time a Japanese Defence Agency director has made such an official visit, and has raised much speculation over the possibility of military co-operation between the two countries.

South Korea for talks with defence officials there.

His trip marks the first time a Japanese Defence Agency director has made such an official visit, and has raised much speculation over the possibility of military co-operation between the two countries.

Japan's real growth '5% this year'

By Richard C. Hanson

JAPANESE REAL economic growth this fiscal year is expected to be 5.3 per cent, with a slowdown in the rate of expansion during the latter half, according to a projection by the Mitsubishi Research Institute.

Fiscal 1980 growth will decelerate to 4.1 per cent in real terms, but successful implementation of Government inflation-curbing policies (and moderation on oil prices next year by OPEC) should lead to a comparatively prompt recovery from the "second oil crisis."

Mitsubishi's forecasts of 5.3 per cent growth this year (relatively high, although the official target is 6.3 per cent) projects that growth in the second half will fall sharply as inflation dampens real term spending and tighter credit policies depress investment activity.

The current account this year is expected to swing into deficit by ¥700m from last year's surplus of ¥12bn. The latest OPEC price increase will raise the value of crude oil imports this year by ¥7.8bn to nearly ¥32bn, Mitsubishi predicted.

Uganda aid conference opens today

By Michael Holman, Recently in Kampala

THE FIRST of two donors' conferences to discuss reconstruction of the Ugandan economy, attended by friendly Governments and international organisations, opens in Kampala today.

It takes place against a background of a serious political division marked last weekend by a partly successful call for strikes in support of ex-president Yusuf Lule, ousted in June after only two months in office.

The conference, which will be chaired by Mr. Jack Ssentongo, Ugandan Minister of Finance, begins the country's three-part programme to revive an agriculturally-based economy devastated by eight years of neglect under the regime of Idi Amin and the war which led to his overthrow in April.

Uganda will be seeking commitments towards an emergency import programme worth Uganda shillings 880m (£63m) of basic necessities such as salt, sugar, cooking oil, soap, clothing and medicines.

The second part of the programme will cover petroleum products, agricultural and industrial needs, water services, housing and administration valued at Uganda Sh 5,171m (£368m).

The final part, to be discussed at the second donors' conference in October, will cover capital and developmental expenditure put at Sh2,620m (£161m). The whole programme will be financed through external medium and long-term borrowings, grants and normal trading facilities.

Mr. Ssentongo declared recently: "The economy is in ruins." In some areas this is literally so.

Equally serious is a more intangible loss. One of the few assets inherited by the post-Amin Administration has been dissipated by the controversial dismissal of Professor Lule, the euphoria which accompanied the end of the dictatorship has gone, and the nation is politically divided.

BOTSWANA STRUGGLES FOR INDEPENDENCE

Classic signs of poverty

By Quentin Peel in Johannesburg

WHEN THE Queen arrives today in Francistown, Botswana, she will be at the closest point of her African safari to the bloody guerrilla war in Rhodesia. Refugees from the war are crossing the nearby border at a rate of 600 to 700 a month. Rhodesian security forces have attacked kraals in Botswana on numerous occasions when they suspect them of providing a refuge for guerrillas.

The most serious clash to date came when Rhodesian soldiers ambushed a Botswana defence force platoon, and killed a dozen men.

Although the Queen will do no more in Francistown than meet a few dignitaries on the tarmac and change aircraft for the flight to the capital, Gaborone, her overall impression of Botswana is likely to be of a country getting increasingly embroiled in the war. In southern Africa Botswana is an innocent bystander struggling to prove its own independence, but getting caught up in the disintegration of white minority rule in the region.

A country the size of France, but with a population of only 790,000 - there are four times that number of cattle - Botswana illustrates many of the classic symptoms of a truly impoverished state: high population growth, low educational skills, and the great majority of its population involved in traditional, subsistence agriculture. Some 30,000 of its finest young men are permanently away working in the South African mines for lack of any alternative employment at home. About 85 per cent of its imports come from South Africa, making the former high commission territory still overwhelmingly dependent on that country.

Nevertheless Botswana has made a determined effort to reduce her dependence on her neighbours, but only at a pace which would not create serious dislocation in the economy. The windfall discovery of diamonds at Orapa, between Francistown and the Okavango Swamps, and most recently at Jwaneng in the south, has provided the government with a good proportion of the revenues needed to

do this. In addition, the combination of stubborn adherence to western-style democracy by President Sir Seretse Khama, and the conservative financial and economic policies he has pursued, have resulted in Botswana receiving more aid per capita than any other country in Africa.

All this could be jeopardised by the war in Rhodesia, by the guerrilla war in neighbouring Namibia (south-west Africa), and by the danger of increasing guerrilla warfare in South Africa. The most obvious destabilising factor is the refugees, which latest estimates put at between 20,000 and 21,000. The UN high commissioner for refugees is working on a forecast of 70,000 by next year.

The prospect of one-tenth of the population consisting of refugees is a daunting one for any government. The deteriorating security situation along the border has resulted in the creation of the Botswana defence force, a 2,000 strong body, equipped with several aircraft and with a budget for the current year of some pula 10m (£5.5m).

Despite some sensational reporting in the South African Press on the dangers of Botswana being swept by a new radicalism, the impression given by Gaborone and its inhabitants is one of continuing moderation, steering a course of non-alignment between the far more powerful forces at work within the region. If that is lost, senior government officials and the man in the street realise, so will be the fruits of steady economic growth since independence.

Already they point to projects being planned which have a more obvious political than economic content, such as taking over the railway from

its present operators, Rhodesia Railways, and building a new international airport for Gaborone. But Botswana still remains above all, a middle-of-the-road mediator in the disputes of the region.

And one concern that Sir Seretse will most certainly make clear in his political contacts with the British Government is his fear that if Britain lifts sanctions against Rhodesia it will lead to an escalation, not a reduction, of the conflict.

New Zealand to limit wage rises to 4.5%

By Dai Hayward in Wellington

THE NEW Zealand Government intends to limit general wage increases to 4.5 per cent for the next 12 months.

In a special statement in Parliament last night Mr. Robert Muldoon, the Prime Minister, announced that existing wage-fixing regulations will be scrapped. Instead, the Government will introduce new laws to "influence" wages. The decision is certain to provoke angry reaction from trade unions. Many have wage claims for 10 per cent or more in the pipeline.

Whitelaw probe on Tote bets

The Home Secretary, Mr. William Whitelaw, is to order an independent inquiry into the Tote's betting procedures at the request of Mr. Woodrow Wyatt, chairman of the Horserace Totalisator Board, the Home Office announced yesterday.

After allegations in the Press about the transmission of Tote bets, Mr. Wyatt is calling in the police to investigate whether criminal offences have been committed. The Home Office inquiry will be without prejudice to any police action.

DEVELOPING COUNTRIES FACE DEBT CRUNCH

Philippines deficit at new peak

By Philip Bowring

ARE DEVELOPING countries heading for a debt crunch as a result of the latest oil crisis and the threat of a recession in the U.S.?

Most international bankers, confident that recycling will continue to iron out balance of payments wrinkles, profess confidence. Others, including IMF Managing Director Mr. A. de Larosiere, are not so sanguine.

For the sake of developing countries, current account deficits which this year will reach a new peak of at least \$50bn. Most of it will be attributable to the middle income nations of Asia and Latin America, which rely primarily on international capital markets to bridge their resource gap.

It is not possible to generalise about these countries, but a close look at one of them, the Philippines, shows two things: that the immediate impact of the situation is quite severe and that the current deficit will rise despite sharply lower oil prices in 1979.

2 - That the burden of debt accumulated since the 1974 oil crisis is beginning to weigh heavily on the economy, putting aside the earlier confident assumptions that the Philippines, like some similar economies, had brushed off the oil price and sustained 5-7 per cent annual growth since 1974.

The Philippines is very much a "middle" country, in size (43m people) and income (per capita GNP of \$450 a year). Oil is a major import, but at 23 per cent of total imports it is not as dominant as for countries such as Brazil. Like most developing countries, it is primarily dependent on commodity exports, but has a broader range than many and also a small but fast growing manufacturing export sector.

The 1978 service and debt plus GNP ratios, at about 20 per cent and 33 per cent respectively, are unexceptional. Exports are equal to about 15 per cent of GNP, indicating an economy with a substantial but not all-dominant external trade sector.

Last year, the Philippines had a trade deficit of \$1.3bn and a current deficit about the same. Both were records, and so far this year the situation is looking worse. The first four months showed a trade deficit of \$574m, before the full impact of the oil price rise had made itself felt, and a current account shortfall of \$1.5-1.7bn for the year is now forecast, roughly equivalent to one-third of total exports of goods and services.

Meanwhile other aspects of the economy are not doing well either. Consumer prices, increases which had been in single figures since 1974, are expected to be 15 to 17 per cent up as the government has been forced to allow prices of some goods previously kept artificially low to rise.

Growth of GNP this year is

now estimated by private forecasters to be at best five per cent and will be lower still if bad weather spoils crops.

The Philippine economy is going badly wrong at a time when it should, according to earlier forecasts by bankers, have started to show big improvements. After all, this year the first offshore oil started to flow.

Output is building up to 40,000 barrels a day and this year some 12 per cent of consumption will be met from domestic sources. But that gain has been more than outweighed by the magnitude of the crude oil price increase. Oil imports will probably now rise 20 per cent from 1978's level of \$1bn.

This year is the first since

\$500m. But confidence in the slightly longer term rests on the assumption that the trade position has scope for sharp improvement.

Last year was the best year since 1974 for the Philippines in terms of trade. According to official rough estimates they gained 9 per cent last year as import prices were almost stable, while export prices, led by coconut oil and timber, gained. Now those terms of trade are becoming worse again and could deteriorate further if recession fears dent copper and timber prices, as they did in 1974.

The country has been successful in recent years in diversifying exports, so lessening dependence on a few commodities. Last year electronics exports nearly doubled to \$170m, almost as large as sugar, and garment exports have done well. But continued rapid expansion in these industries is threatened by weakening demand.

However, there should be continued growth of tourist receipts and transfers from Filipino workers overseas, mainly the Middle East. But these benefits may be outweighed by increases in interest charges on borrowings - of a total debt of \$8bn probably 60 per cent is at floating rates.

The Government has attributed the size of the trade deficit in the first four months partly to stockpiling due to fears of oil induced price rises, tighter credit and devaluation.

The limit for 1979 is \$975m in the new commercial loan approvals of 1-15 years maturity, the same as last year. After adding in official development assistance drawdowns of some \$400m and subtracting loan repayments, the Philippines should see an inflow of term loans of about 1bn-1.1bn. That leaves a substantial gap to be filled. Even last year there was, in addition to term

loans, an increase in revolving trade credits of another \$100m and a \$360m fall in the net foreign assets of commercial banks, more than offsetting a \$290m rise in central bank reserves. The setting up two years ago of an offshore banking system in Manila has effectively enabled the Philippines to step up its borrowings outside the IMF guidelines.

Faced with a substantially bigger current deficit and nearly static term lending, the Philippines is likely to have to resort to more borrowing through the ECDSU, more revolving trade credits, and more use of such devices as long-term leasing of high cost imported items such as aircraft.

The Philippines has achieved reasonably fine rates and long maturities partly as a result of the IMF "good housekeeping" seal. Though borrowing from the IMF itself has not been a significant part of the total, EFF and now standby conditionality has given confidence to private bankers.

But even if the current deficit stabilises at around last year's level and thus in time reduces as a proportion of total trade the debt burden accumulated will be felt for years to come. Though the debt is referred to by the government as borrowings to finance essential capital spending it remains in essence the financing of the oil induced sharp setback in terms of trade which occurred in 1974 and has persisted ever since. Despite the gain in 1978, terms of trade were still 23 per cent below the 1972 level.

The debt build-up has not reflected either an increase in capital as a whole or of spending on export or import substituting industries. Fixed capital formation as a percentage of GNP has been static for four years and will almost certainly fall this year. The sharp improvement in capital formation which occurred between 1973 and 1975 was essentially a product not of increased foreign borrowing but of vastly improved fiscal administration.

The potential domestic political consequences of sharply lower growth for an economy already suffering from high unemployment and pressure on land and other resources, are disturbing.

Externally, the situation could be more than just a headache for bankers. Repeated among a number of similar countries it will prove a major problem for the capital goods exporters of the developed world. The willingness of countries like the Philippines to borrow their way through the last oil crisis helped to sustain demand in the west and shorten the 1974-75 recession. But that process cannot go on indefinitely. In 1973 OPEC planted a bomb under middle income developing countries. Has it now lit the fuse?



PRESIDENT MARCOS: Having to cope with growing difficulties.

ECGD CELEBRATES
DIAMOND JUBILEE

Let's give credit where credit is due

ECGD has been busy building up Britain's foreign trade for sixty years. That's an impressive span of time, and their achievements have been equally impressive.

We, at Lazards, say congratulations.

Our relationship with ECGD has been long and highly successful. Both from our point of view and that of our clients.

Together we worked on the first medium-term supplier credit in 1950.

Together we worked on the first long-term buyer credit in 1961.

Lazards' team-work with ECGD has resulted in over £1,500 million of export credit business in 36 countries on all five continents.

Like any other good relationship, it can only get better. For Britain, for our clients and for ECGD.

Lazard Brothers & Co., Limited

AMERICAN NEWS

Banks' rights in takeover lending upheld on appeal

BY JOHN WYLES IN NEW YORK

THE FREEDOM OF U.S. banks to help finance takeovers of companies which happen to be their clients has been upheld in an important ruling in the Federal Court of Appeals in Philadelphia.

The case, involving Washington Steel Corporation and Chemical Bank, has been closely watched by the banking community following a District Court judge's decision in February that the bank had violated its fiduciary duty to its client, Washington Steel, by serving as lead bank in financing a hostile bid from Talley Industries.

The District Court judge issued an injunction forbidding Chemical from lending funds to Talley and requiring Talley to post a \$2m bond to cover any damages that might subsequently be awarded.

But the Court of Appeals has overturned this decision, arguing in its 19-page judgment that "we cannot fairly imply a duty whose sweep is as broad and whose restrictions are as severe as that urged by Washington."

Washington had contended that Chemical's conduct was in itself a violation of the law. The court ruled that not only was this wholly without precedent but, in addition, its application was objectionable on important policy grounds.

The court added that if banks had a common law fiduciary duty not to deal with competitors of their borrowers, or

Foreign banks proposal

BY DAVID LASCELLES IN NEW YORK

RESPONDING to the fast-growing foreign banking presence in the U.S., the Federal Reserve Board yesterday put forward proposals to subject them to the same non-interest-paying reserve requirements as major domestic banks.

At the moment, U.S. branches of foreign banks do not have to put up reserves on their deposits, a privilege which gives them a competitive edge over U.S. banks.

The Fed's proposals, which follow last year's International Banking Act, would subject the branches of foreign banks with assets of more than \$1bn to reserve requirements ranging from 7 to 16 per cent of demand deposits, depending on the size of these deposits, and from 1 to 6 per cent on time and savings deposits.

However, the branches

would also enjoy new benefits, chief among them access to the Fed discount window (where funds are available at below market rates) and use of various Fed banking services at no charge. The foreign banks would be given two years to adapt to the new rules.

Membership of the Fed is not compulsory, and many small banks have been leaving the system to avoid having to put up reserves, a trend which the Fed says has weakened its control over credit policy.

As part of a drive to combat this trend, the House of Representatives last week voted to impose universal reserve requirements if and when the proportion of bank deposits subject to Fed requirements falls below 67.5 per cent of the total.

Three aspects immediately caused alarm bells to sound for the authorities: the rate of increase of deposits, the controversial referendum, which removed the constitutional hurdle to the post-nomination of general elections by 15 months, keeping the ruling PNC in power to allow for the drafting and introduction of a new constitution.

All opposition groups, regardless of ideology, opposed the referendum. Critics said the announced results reflected voter turnout of more than 70 per cent, as compared with the opposition claim that it was between 10 and 15 per cent. The Government got a favourable poll of more than 90 per cent.

The assembly drafting the new constitution is being boycotted by the major opposition party, the Marxist-Leninist Peoples Progressive Party (PPP), and by the Council of Churches, but not by the Trades Union Congress and the right-wing United Force (UF), the minor opposition.

Second, the target of the attack was probably the most sensitive political institution in Guyana, a unique one combining a Government Ministry and the ruling party's secretariat.

The ruling party justified this combination saying there was a need to experiment with institutions in its peaceful revolution.

The effort to reconstruct society along socialist lines within the confines of an inherited Westminster-type democracy—and to allow for administrative flexibility in a campaign to mobilise Guyanese for national development.

Opposition groups maintained it was a cover to channel Government funds into party work.

Third, the nature of the attack itself has given rise to some speculation whether it was the work of army disaffected or persons with a close working knowledge of the army, which would be equally bad.

In the former, then the Government of Mr. Forbes Burnham, Prime Minister for the past 15 years, has a new and really serious problem on its hands, that of a threat of urban terrorism under the cover of army uniforms.

The ruling party reacted with anger to the attack. Its official New Nation newspaper organ insisted that "we are at war."

Taking a more restrained approach, the Government seemed to treat the matter more legally than politically, making arrests after raids under the National Security Act and placing suspects before the court.

But among these taken in for questioning and subsequently charged are noted members of the militant Working Peoples Alliance (WPA), a pressure group about to become a political party and which has counterparts in many Caribbean islands where left wing movements have been on the increase. The best known of these arrested and charged is Dr. Rodney, who has been up to secure a job at home, was banned from entering some Caribbean islands, and has emerged as a hero of sorts in the eyes of some Government critics.

The WPA responded with constant prolonged picketing outside jails where its people were held and staged a noisy protest demonstration outside the magistrate's court where Dr. Rodney and the others appeared. Despite prosecution objections they were released on bail.

When tensions began to rise and a showdown of some sort loomed, an entirely new dimension was added by the stabbing of Father Darke. His death had an instant sobering effect, serving to remind of the consequences of violence which had been becoming more frequent over the past year.

It brought an instant allegation from the alliance that the ruling party was plotting to assassinate Dr. Rodney, other leaders, some trade unionists, and journalists and lawyers, a charge dubbed as "ludicrous" by the PNC.

Nevertheless, sales of all sizes of trucks, including imports, were 10.8 per cent lower in the first six months of this year compared with the same period in 1978. This slide has occurred almost entirely in the second quarter and compares with a much more modest 2.6 per cent drop in all car sales.

But domestic manufacturers are suffering worse than imports in both categories. Their six-month truck sales are down 16.5 per cent and their car sales 9.3 per cent.

Guyanese violence alarms ruling party

By Our Georgetown Correspondent

IN A pre-dawn attack on July 11 a group of armed men in army uniform, after overpowering the guards, placed bombs in a large three-storey building in Camp Street, Georgetown, site of the Ministry of National Development and the Secretariat of the Ruling People's National Congress (PNC).

The ensuing fire burnt out the building, along with a similarly large adjacent structure housing administrative offices of the Guyana Sugar Corporation (GuySugco).

Three days later, Father Bernard Darke, an English-born Jesuit priest and teacher, was fatally stabbed in a brief flare-up of street violence after court appearances of three academics who were jointly charged with arson in connection with the destruction of the two buildings. One of the accused was Dr. Walter Rodney, a noted Guyanese historian.

Father Darke was stabbed while taking photographs for the Catholic Standard newspaper, and a colleague was beaten. Quiet returned quickly but these incidents may have drastically altered the chess-board of Guyanese politics.

Anniversary

Three aspects immediately caused alarm bells to sound for the authorities: the rate of increase of deposits, the controversial referendum, which removed the constitutional hurdle to the post-nomination of general elections by 15 months, keeping the ruling PNC in power to allow for the drafting and introduction of a new constitution.

All opposition groups, regardless of ideology, opposed the referendum. Critics said the announced results reflected voter turnout of more than 70 per cent, as compared with the opposition claim that it was between 10 and 15 per cent. The Government got a favourable poll of more than 90 per cent.

The assembly drafting the new constitution is being boycotted by the major opposition party, the Marxist-Leninist Peoples Progressive Party (PPP), and by the Council of Churches, but not by the Trades Union Congress and the right-wing United Force (UF), the minor opposition.

Second, the target of the attack was probably the most sensitive political institution in Guyana, a unique one combining a Government Ministry and the ruling party's secretariat.

The ruling party justified this combination saying there was a need to experiment with institutions in its peaceful revolution.

The effort to reconstruct society along socialist lines within the confines of an inherited Westminster-type democracy—and to allow for administrative flexibility in a campaign to mobilise Guyanese for national development.

Opposition groups maintained it was a cover to channel Government funds into party work.

Third, the nature of the attack itself has given rise to some speculation whether it was the work of army disaffected or persons with a close working knowledge of the army, which would be equally bad.

In the former, then the Government of Mr. Forbes Burnham, Prime Minister for the past 15 years, has a new and really serious problem on its hands, that of a threat of urban terrorism under the cover of army uniforms.

The ruling party reacted with anger to the attack. Its official New Nation newspaper organ insisted that "we are at war."

Taking a more restrained approach, the Government seemed to treat the matter more legally than politically, making arrests after raids under the National Security Act and placing suspects before the court.

But among these taken in for questioning and subsequently charged are noted members of the militant Working Peoples Alliance (WPA), a pressure group about to become a political party and which has counterparts in many Caribbean islands where left wing movements have been on the increase. The best known of these arrested and charged is Dr. Rodney, who has been up to secure a job at home, was banned from entering some Caribbean islands, and has emerged as a hero of sorts in the eyes of some Government critics.

The WPA responded with constant prolonged picketing outside jails where its people were held and staged a noisy protest demonstration outside the magistrate's court where Dr. Rodney and the others appeared. Despite prosecution objections they were released on bail.

When tensions began to rise and a showdown of some sort loomed, an entirely new dimension was added by the stabbing of Father Darke. His death had an instant sobering effect, serving to remind of the consequences of violence which had been becoming more frequent over the past year.

It brought an instant allegation from the alliance that the ruling party was plotting to assassinate Dr. Rodney, other leaders, some trade unionists, and journalists and lawyers, a charge dubbed as "ludicrous" by the PNC.

Nevertheless, sales of all sizes of trucks, including imports, were 10.8 per cent lower in the first six months of this year compared with the same period in 1978. This slide has occurred almost entirely in the second quarter and compares with a much more modest 2.6 per cent drop in all car sales.

But domestic manufacturers are suffering worse than imports in both categories. Their six-month truck sales are down 16.5 per cent and their car sales 9.3 per cent.

WORLD TRADE NEWS

Overseas sales of Scotch whisky decline by 7%

BY RAY PERMAN, SCOTTISH CORRESPONDENT

EXPORTS of Scotch whisky fell by more than 7 per cent to 45.7m proof gallons in the first half of 1979, the first drop in overseas sales for many years.

The industry has been used to a rising trend in exports but it was hit this year by the lorry drivers' strike, which closed some distilleries and bottling plants in January.

The figures also suffer in comparison with 1978, which was an exceptionally good year for exports, helped by a rush by importers to fill their warehouses in advance of the export price rise of 12.5 per cent on January 1.

The high level of stocks abroad that this brought about has contributed to a drop of 25 per cent in shipments to the U.S., the largest overseas

market for Scotch.

But Mr. Ian Coombes, the chairman of the information committee of the Scotch Whisky Association, said in Glasgow yesterday that higher prices had contributed to a rise of 5.5 per cent in the value of exports in the past six months to £309m.

"Because last year was exceptional, I have compared this year's results with those for the same period of 1977. They show an increase of 6 per cent over the two years, which is much in line with the rate of growth that we have achieved over recent years."

"Frankly, this is not an exciting growth rate, and it is well below our true potential. We are not likely to realise that potential, however, until some progress is made towards

eliminating the many barriers which inhibit growth in many markets."

The association is awaiting the hearing by the European Court of an appeal by the Distillers Company, its largest member, against a European Commission ban on dual pricing within the EEC.

The ban, which led the company to withdraw some brands from the British market, effectively prohibits the sole distributor system, which the whisky industry maintains is essential for its export trade.

Mr. Coombes described the ban as the gravest threat faced by the industry, and already below our true potential. We are not likely to realise that potential, however, until some progress is made towards

eliminating the many barriers which inhibit growth in many markets."

The association is awaiting the hearing by the European Court of an appeal by the Distillers Company, its largest member, against a European Commission ban on dual pricing within the EEC.

The ban, which led the company to withdraw some brands from the British market, effectively prohibits the sole distributor system, which the whisky industry maintains is essential for its export trade.

Mr. Coombes described the ban as the gravest threat faced by the industry, and already below our true potential. We are not likely to realise that potential, however, until some progress is made towards

eliminating the many barriers which inhibit growth in many markets."

The association is awaiting the hearing by the European Court of an appeal by the Distillers Company, its largest member, against a European Commission ban on dual pricing within the EEC.

The ban, which led the company to withdraw some brands from the British market, effectively prohibits the sole distributor system, which the whisky industry maintains is essential for its export trade.

Mr. Coombes described the ban as the gravest threat faced by the industry, and already below our true potential. We are not likely to realise that potential, however, until some progress is made towards

eliminating the many barriers which inhibit growth in many markets."

The association is awaiting the hearing by the European Court of an appeal by the Distillers Company, its largest member, against a European Commission ban on dual pricing within the EEC.

The ban, which led the company to withdraw some brands from the British market, effectively prohibits the sole distributor system, which the whisky industry maintains is essential for its export trade.

Mr. Coombes described the ban as the gravest threat faced by the industry, and already below our true potential. We are not likely to realise that potential, however, until some progress is made towards

eliminating the many barriers which inhibit growth in many markets."

The association is awaiting the hearing by the European Court of an appeal by the Distillers Company, its largest member, against a European Commission ban on dual pricing within the EEC.

The ban, which led the company to withdraw some brands from the British market, effectively prohibits the sole distributor system, which the whisky industry maintains is essential for its export trade.

Mr. Coombes described the ban as the gravest threat faced by the industry, and already below our true potential. We are not likely to realise that potential, however, until some progress is made towards

eliminating the many barriers which inhibit growth in many markets."

The association is awaiting the hearing by the European Court of an appeal by the Distillers Company, its largest member, against a European Commission ban on dual pricing within the EEC.

The ban, which led the company to withdraw some brands from the British market, effectively prohibits the sole distributor system, which the whisky industry maintains is essential for its export trade.

Mr. Coombes described the ban as the gravest threat faced by the industry, and already below our true potential. We are not likely to realise that potential, however, until some progress is made towards

Iran may moderate takeover programme

By Pauline Jackson in Tehran

NATIONALISATION of banks and industries in Iran may not mean a complete takeover by the state as earlier envisaged. Government officials said this week that small shareholders may be allowed to retain their shares in banks and that shares in many industries which have been taken over may be offered to the public.

At the Central Bank of Iran annual meeting this week the Bank Governor, Mohammad Ali Mowlavi, said that shareholders in Iranian commercial banks, which were nationalised on June 8, had been divided into three groups: large shareholders, small and medium shareholders and foreign shareholders.

He said that the large shareholders would not receive any compensation from the Government because they already owed more to the Government than the real value of their shares. Foreign shareholders, he announced, would be fully compensated according to the foreign investment law of Iran.

However, they would not be able to continue their participation in the Iranian banking system. Mr. Mowlavi said foreign bankers would be invited to set up a consortium to invest in Iranian industry and agriculture.

In the case of the third group of shareholders, Mr. Mowlavi said no final decision has yet been reached. The Government might offer these small shareholders compensation, or it might allow them to retain their shares.

The nationalisation of industry, announced on July 5, is also being interpreted as meaning Government control and management rather than Government ownership.

The Minister of Industries and Mines, Mahmoud Ahmadzadeh Heravi, said this week that the Government had taken over the holdings of the nation's most prominent capitalists so that their shares could be sold to the people.

Shareholders will be nationalised only in the sense that their management will be in the hands of civil servants but even this will be shared with workers' committees, the Minister said.

Foreign companies which had joint ventures in Iran with members of the list of 51 "big capitalists" whose shares were taken over, report that they have received no notification of their status but have heard from some sources that they also may be allowed to retain their shares.

China-Australia trade talks

Sales of Australian grain, sugar and iron ore to China would probably continue at substantial levels for the next ten years, Sir William McMahon was told in Peking yesterday, our Peking Correspondent writes.

The prediction was made by Mr. Sun Shogang, director of the Chinese Foreign Trade Ministry. Purchases from Australia, China's fourth largest trading partner, had reached a value of \$900m last year, he was told.

The main restraints on achieving this are seen as the lack of a common currency and the various national predilections for doing things their own way.

In terms of world trade, they believe there will be great changes as advanced developing nations, such as Brazil, South Korea and Mexico become fully industrialised, and powerful trading nations. The poorer countries may become a social as much as a trade question.

ECGD accepts that while Britain was once near the centre of the industrial world this is no longer so. However, the future of ECGD is still far from certain, and it is all the more difficult to see all the support it can, although ECGD is uneasy about certain aspects of cover, such as buyer credits, which sometimes creep under the strain put upon them in order to support UK manufacturers competing for the limited number of major projects now on offer in the world.

The continued use of the "maturing doctrine", which has led to various countries repudiating each other on credit terms, is now seen as approaching a point where it is against the interests of exporting countries.

In the U.S. a strong anti-subsidy feeling in Washington competes with the desire to do more for U.S. exports. Although this could be interpreted as an encouraging factor in the otherwise universal trend towards unrestrainedly favourable credit terms, the outlook for credit insurance nevertheless appears to be highly uncertain.

In the next decade, ECGD is almost certain to find its work almost certainly to be more than its present workload. Its problems will be less insurance against default, with the new policies which they will conditionally be ready to accept.

Speculating on the future role of ECGD some of those in the department take the view that another 10 years will see far greater EEC co-operation on export credits, perhaps in the form of joint European bids for contracts.

Until then any form of long-

Ford optimistic on car demand

BY KENNETH GOODING IN DETROIT

FORD FORECASTS that world car sales will rise by around 30 per cent in the next 10 years, and there should be a strong continuing demand for trucks as well.

This year the group expects the world automotive industry to produce and sell more than 40m vehicles, according to Mr. Donald Petersen, executive vice-president for Ford International Operations.

The new type of passenger vehicles which will predominate in the 1980s will not be "world cars," but rather "national cars," insisted Mr. Petersen. These would, by the end of the next decade, "make obsolete almost every passenger car manufactured in the 1970s."

And governments should also see the self-defeating disadvantages of erecting artificial barriers against trade to protect inefficient domestic industries.

Mr. Petersen added that only the eight car manufacturers currently producing around 2m a year would actually remain contestants in the world market battle of the 1980s.

Many smaller, specialised companies were going to survive only in marginal or protected domestic markets. Few of them could afford the astronomical costs of developing new models without associating with larger companies or turning directly to government for loans, subsidies or even partnerships.

He told the Automotive News congress here that the "rational car" was a giant step beyond the so-called world car. It represents a brand-new generation of responsive and fuel-efficient vehicles internationally linked by many common and interchangeable parts and components.

He suggested there were two important ways governments should act to pave the way for the "rational cars." There should be harmonisation of vehicle-testing standards worldwide. This would represent a great step forward in eliminating many of the barriers that now inhibit the free flow of trade.

And governments should also see the self-defeating disadvantages of erecting artificial barriers against trade to protect inefficient domestic industries.

Mr. Petersen added that only the eight car manufacturers currently producing around 2m a year would actually remain contestants in the world market battle of the 1980s.

Many smaller, specialised companies were going to survive only in marginal or protected domestic markets. Few of them could afford the astronomical costs of developing new models without associating with larger companies or turning directly to government for loans, subsidies or even partnerships.

He told the Automotive News congress here that the "rational car" was a giant step beyond the so-called world car. It represents a brand-new generation of responsive and fuel-efficient vehicles internationally linked by many common and interchangeable parts and components.

He suggested there were two important ways governments should act to pave the way for the "rational cars." There should be harmonisation of vehicle-testing standards worldwide. This would represent a great step forward in eliminating many of the barriers that now inhibit the free flow of trade.

And governments should also see the self-defeating disadvantages of erecting artificial barriers against trade to protect inefficient domestic industries.

Mr. Petersen added that only the eight car manufacturers currently producing around 2m a year would actually remain contestants in the world market battle of the 1980s.

Many smaller, specialised companies were going to survive only in marginal or protected domestic markets. Few of them could afford the astronomical costs of developing new models without associating with larger companies or turning directly to government for loans, subsidies or even partnerships.

He told the Automotive News congress here that the "rational car" was a giant step beyond the so-called world car. It represents a brand-new generation of responsive and fuel-efficient vehicles internationally linked by many common and interchangeable parts and components.

He suggested there were two important ways governments should act to pave the way for the "rational cars." There should be harmonisation of vehicle-testing standards worldwide. This would represent a great step forward in eliminating many of the barriers that now inhibit the free flow of trade.

And governments should also see the self-defeating disadvantages of erecting artificial barriers against trade to protect inefficient domestic industries.

Soviet contracts signed by two Italian companies

BY DAVID SATTIN IN MOSCOW

MONTEDISON, the Italian chemical and petrochemical company, has won a \$500m (258.5m) contract from the Soviets to build a leather dye factory in the city of Ivano-Frankovsk in the western Ukraine.

The plant is to produce 2,000 tonnes of dye per year and will be built by Teclimont, a subsidiary company with Montedison supplying the machinery and equipment. The dye is to be used in shoes, clothing and other consumer goods.

The leather dye contract was signed with the Technoimport-Soviet foreign trade organisation and was the second major contract of its kind signed by Montedison in the past two years.

In 1977, Montedison signed a contract to build a leather dye plant in Tarnobrzeg, near Moscow. That plant was to produce 4,000 tonnes of leather dye per year, and the contract had a value of £75bn.

Meanwhile GEG of Italy has signed a contract worth \$23m for the construction of livestock breeding and agricultural complexes.

The contract was signed with Tractorexport and calls for construction of a pig and baby

beef factory and four plants for the production of special zootechnical food and regenerated milk.

The pig factory is to produce 54,750 pigs for consumption per year while the baby beef factory is to produce 18,000 animals.

The Bristol company, Masson Scott Thriess Engineering, a member of the Molins Group, has won contracts totalling nearly \$900,000 from the Soviet Union for replacement rotary cutting equipment used in gravure printing presses. It was announced yesterday.

STORWERKSPOOR of the Netherlands has won a £1.5m (210m) contract to re-engine four gas turbine container ships for operation by Seatrain Lines of the U.S., our shipping correspondent writes. The conversion, being carried out on fuel economy grounds, is to be executed at the Howaldtswerke-Verit shipyard in Hamburg.

It is the largest order received so far for the Storwerkspoor line, which is to be replaced by a new line of four gas turbine container ships, each of which will be required for each vessel.

STORWERKSPOOR of the Netherlands has won a £1.5m (210m) contract to re-engine four gas turbine container ships for operation by Seatrain Lines of the U.S., our shipping correspondent writes. The conversion, being carried out on fuel economy grounds, is to be executed at the Howaldtswerke-Verit shipyard in Hamburg.

It is the largest order received so far for the Storwerkspoor line, which is to be replaced by a new line of four gas turbine container ships, each of which will be required for each vessel.

STORWERKSPOOR of the Netherlands has won a £1.5m (210m) contract to re-engine four gas turbine container ships for operation by Seatrain Lines of the U.S., our shipping correspondent writes. The conversion, being carried out on fuel economy grounds, is to be executed at the Howaldtswerke-Verit shipyard in Hamburg.

It is the largest order received so far for the Storwerkspoor line, which is to be replaced by a new line of four gas turbine container ships, each of which will be required for each vessel.

STORWERKSPOOR of the Netherlands has won a £1.5m (210m) contract to re-engine four gas turbine container ships for operation by Seatrain Lines of the U.S., our shipping correspondent writes. The conversion, being carried out on fuel economy grounds, is to be executed at the Howaldtswerke-Verit shipyard in Hamburg.

It is the largest order received so far for the Storwerkspoor line, which is to be replaced by a new line of four gas turbine container ships, each of which will be required for each vessel.

STORWERKSPOOR of the Netherlands has won a £1.5m (210m) contract to re-engine four gas turbine container ships for operation by Seatrain Lines of the U.S., our shipping correspondent writes. The conversion, being carried out on fuel economy grounds, is to be executed at the Howaldtswerke-Verit shipyard in Hamburg.

It is the largest order received so far for the Storwerkspoor line, which is to be replaced by a new line of four gas turbine container ships, each of which will be required for each vessel.

STORWERKSPOOR of the Netherlands has won a £1.5m (210m) contract to re-engine four gas turbine container ships for operation by Seatrain Lines of the U.S., our shipping correspondent writes. The conversion, being carried out on fuel economy grounds, is to be executed at the Howaldtswerke-Verit shipyard in Hamburg.

It is the largest order received so far for the Storwerkspoor line, which is to be replaced by a new line of four gas turbine container ships, each of which will be required for each vessel.

Soares leads Nicaragua mission

BY HUGH O'SHAUGHNESSY, LATIN AMERICA CORRESPONDENT

SR MARIO SOARES, the Portuguese Socialist leader and former premier, is to head a mission of European and Latin American Socialists to Managua. The move is aimed at demonstrating support for the large social democratic element in the Sandinista Government and a willingness to assist it against any attack by extremists of Right or Left.

Sr Eduardo Kuhl, a roving envoy from the new Government is currently visiting Europe and has been emphasising the social democratic leanings of many guerrilla and civilian elements in the Managua Administration.

He attended the meeting of party leaders of the Socialist International held at the weekend outside Stockholm. The meeting welcomed the Sandinista victory and decided upon the mission.

Apart from Sr. Soares the delegation is expected to include Herr Alwin Brueck, Parliamentary State Secretary at the West German Ministry for Economic Co-operation, and members of the socialist parties in Austria, France, the Nordic countries and El Salvador. The Spanish Socialists have already sent a mission to Managua.

There is some determination among the parties represented that the Managua Government should not

It relaxes you on the M6. Impresses you on the A38. Excites you on the B4012. And attracts admiring glances in Regent Street.

The quite exceptional car we refer to is the elegant and stylish Gamma Berlina you see pictured here.

To begin with, we have unashamedly spoilt the driver and his passengers. (In particular, it is our belief that if a driver lacks for nothing, he will feel more relaxed and alert, especially after long journeys.)

The interior is extraordinarily roomy. Thick pile carpet is fitted door to door. The roof is beautifully quilted. And the seats, which can carry five adults in extreme comfort are contoured and thickly padded. In addition, they have adjustable head-rests and are covered in an elegant and luxurious cloth fabric.

The steering wheel is adjustable, the windows electrically operated and the driver's seat can be adjusted for both height and tilt.

In terms of performance, especially on major roads, the Gamma is a thoroughbred Lancia. The powerful 2.5 litre boxer engine

gives impressive acceleration when you need to overtake, with a smooth 5 speed gearbox, as well as a top speed of over 120mph. Like every Lancia, the Gamma has front-wheel drive for impeccable handling and roadholding on the twists and turns of winding country roads.

Steering is power assisted and should you meet a flock of sheep en route, dual system brakes provide exceptional stopping power. Which means that the Gamma handles like a car half its size.

Finally, we feel certain that the restrained elegance of the Gamma Berlina will not go unnoticed in the traffic jams around town.

You will be relieved to know that this car carries a very sensible price tag which will not deter even the most austere of financial directors. (You might mention too,

that the new 12,000 mile service intervals practically halve servicing costs.)

If you would like to test drive the Gamma Berlina, talk to your Lancia dealer. He'll be happy to prove that the claims we make for this car are a refreshing reality. At the same time ask him about our special leasing schemes, which offer some striking financial advantages.

Or if you are eligible to purchase a Lancia free of taxes, contact our Export Department.

LANCIA

The most Italian car.

Lancia (England) Ltd., Alperton, Middlesex.
Tel: 01-998 5355 (24 hour sales enquiry service).

*Price includes car tax, VAT at 15%, inertia reel seat belts and delivery charges on UK mainland, but excludes number plates, metallic paint and leather upholstery.



The Lancia Gamma Berlina. £7,598.34*



UK NEWS

Foundry industry urged to seek Government aid

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

LEADERS OF Britain's foundry industry will today consider whether to seek Government aid to "avoid the worst effects of uncontrolled decline in foundry numbers and employment."

The recommendation will be put to the Economic Development Committee for foundries by Mr. Tom Kilpatrick, its chairman. In a background paper, he warns that on current forecasts of decreasing demand another 200 or more iron foundries could close by the mid-1980s.

Apart from the loss of jobs, struggling companies might, as in the past, "resort to a desperate policy of suicidal price-cutting," he says. This would reduce general price levels, although profits were already low. Much damage would be done to other efficient foundries vital to British industry.

Mr. Kilpatrick suggests that Government help should be aimed at minimising price-cutting and alleviating "hardship to employees, who without an aid scheme, might suffer more through an uncontrolled rundown of the industry."

However, the chances of such a scheme getting off the ground must be slim. The trade unions at today's meeting are expected to be suspicious of any plan to contract the industry.

The Government, with its commitments to a reduction in state intervention and public spending, is likely to show little sympathy.

Mr. Kilpatrick will argue, however, that the industry is not asking for an increase in funds. He will point out that £120m in Government grants available under schemes to aid the ferrous and non-ferrous foundry industries will not be taken up. He will suggest that any shortfall could be directed to a scheme for restructuring the industry.

The Council of Ironfoundry Associations has forecast that demand for castings in 1985 will be 300,000 tonnes down on the 2.7m tonnes of last year. At the same time, capacity, stimulated by the Government-aid scheme, is expected to increase by 300,000 tonnes, creating a surplus of about 800,000

tonnes. Even if closures under way remove 100,000 tonnes, the council forecasts 20 per cent spare capacity.

Mr. Kilpatrick draws attention to the failure of the British engineering industry, particularly the automotive sector, to expand demand. The industry aid schemes were introduced on the unrealistic assumption that growth would be about 3½ per cent a year.

The foundry industry is concerned that spare capacity throughout Europe is contributing to increased imports, particularly from the European Economic Community, Spain and Portugal.

Halma expands

HALMA, manufacturer of environmental control and industrial safety products, yesterday announced the formation of a new subsidiary company, S & P Colli Products which will start trading on October 1, 1979 from a site in Leicester.

Lloyd's man to testify in U.S. case

FEDERAL LEASING INC. of the U.S., which is suing Lloyd's of London for a total of \$28.8m (£27.1m) on computer leasing insurance, has obtained a court ruling in America that one of the lead underwriters on the insurance business must testify on or before August 6.

The underwriter is Mr. Edward Street-Porter, and he will have to answer questions on oath put by Federal Leasing's lawyers on matters relating to the computer insurance. Another Lloyd's principal, as yet unnamed, will also be required to answer questions.

Federal is claiming \$28m in unpaid claims from Lloyd's as part of its action and \$600m in damages. Federal has also named a number of insurance companies in the London market in its action.

Computer leasing insurance was arranged by leasing companies to insure against their customers terminating leases earlier than the contract date. If they did, the computer leasing company could claim on its insurance and cover its obligations to the financial institutions which had backed its operations.

New IBM models launched on the market in 1978 caused many customers to give notice of the cancellation of their leases. Lloyd's has been presented with a possible loss of \$225m on the business, the largest in its history.

The 55 Lloyd's underwriting syndicates involved have been given until August 13 to answer Federal Leasing's complaint, but there have been moves by Lloyd's lawyers both sides of the Atlantic to arrange for a later date for reply.

Lloyd's underwriters are also being sued by Bank of Lincolnwood in Chicago for \$10m punitive damage claims. Bank of Lincolnwood's action arises from the computer business and an action which it has launched against Federal Leasing.

Bank of Lincolnwood is seeking to recover money from Federal in connection with its leasing insurance arrangements at Lloyd's. Federal used its Lloyd's computer leasing policy as collateral for loans it arranged with Bank of Lincolnwood to finance its operations.

Teaching may escape cuts

By Michael Dixon, Education Correspondent

PLANS TO protect teaching and other central educational work from the effect of the £400m cuts required by the Cabinet in the 1980-81 education budget will be disclosed to local authorities by Mr. Mark Carlisle, Secretary for Education and Science, next week.

Mr. Carlisle wishes to find the savings largely from ancillary services, particularly school meals where he hopes to halve the present annual subsidy of nearly £400m by freeing local authorities from their obligation to sell the meals at only 25p.

Although the previous Government repeatedly tried to reduce the subsidy on school meals from its level of more than 50 per cent, the attempts were frustrated by pressure from the TUC.

The Education Secretary has decided, however, that rises in the selling price are essential to his policy of preserving the "central core" of education while trimming the £8.5bn annual budget by 4 to 5 per cent in 1980-81, on top of economies of possibly £200m

FINANCIAL TIMES CONFERENCE: BUDGET 1979

Profits warning to industry

FINANCIAL TIMES REPORTER

REAL PROFITABILITY of British industry was likely to be halved this year, Sir John Greenborough, president of the Confederation of British Industry, said in London yesterday.

He told a Financial Times conference, Budget 1979, that the CBI was forecasting real profits of only 3 per cent this year, excluding the North Sea sector. This compared with more than 10 per cent in the late 1960s.

Britain's international competitiveness had recently worsened dramatically, Sir John said. Since 1973 unit labour costs had risen by 25 per cent more than those of overseas competitors.

At the same time there had been a very big shift out of profits into wages. However, the present economic climate was one that would reduce companies' ability to pay higher wages.

Retail prices

Sir John said that with high inflation the best way for unions to protect members' living standards and jobs was to accept wage increases well below the level of the last round. This would lead to lower prices.

It was essential that the rise in the Retail Price Index did not produce a reaction that pay increases of the same order were automatically justified. He said that while the index might have risen 16 per cent over the year to August, in real

terms the average married man with two children had lost less than half that amount.

Sir John said junior and middle management had not yet received the pay and tax treatment they deserved. "We have got to do more for them to encourage them to more effort," he said. "They are on the sharp end of any recovery."

Mr. Edgar Palamounain, chairman of the M and G group, told the conference that there was some evidence that the long-term decline in personal investment had been arrested by the Budget.

The shape of the Budget tax changes should encourage savings and investment rather than consumption. Since savings and investment are quite largely what the City is about, there can hardly be any doubt regarding the City's verdict.

Mr. Palamounain said the City thought the Chancellor did a good job in the Budget for the following reasons:

- Reduction of personal tax rates must lead to greater freedom in the economic choices of individuals. Transfer of spending power to the people should improve the distribution of goods and services, including financial services.
- The pattern of the tax changes was likely to release more funds for private investment, encouraging wider share ownership and improving the stock market.
- Lower rates and higher thresholds should encourage entrepreneurs to set up com-

panies and then bring them to market.

• Dismantling of exchange controls facilitated by a strong pound, simplified and improved international business.

• A strong pound reduced the rise in the cost of living and pressure on savings. Restoration of confidence in sterling would bring more business back to London.

Mr. Richard Morgan, director of banking group J. Henry Schroder Wagg, said the total once-for-all adjustment to the recent relaxation of exchange controls was likely to be a capital outflow of £2.5bn to £3bn.

Confidence

The additional long-term capital outflow could be as high as £1.5bn a year. The speed and degree of adjustment would clearly depend on expectations for sterling, as well as the relative attractions of domestic and overseas capital markets.

These figures took no account of compensating inflows on long-term capital account as a result of increased confidence in the UK by non-residents.

Mr. Morgan pointed out that to put the figures into perspective, a one-month leads and lags shift in payments for imports and exports would cause a short-term flow of up to £5bn.

He would be surprised if the total abolition of controls made any but a temporary difference to the level and course of sterling. "I expect sterling to fluctuate about a rising—hope-fully less steeply rising—trend

as long as the policy priorities continue as they are now.

On direct investments there was no evidence of large pent-up, unsatisfied demand, which would cause an immediate outflow of new investment. There could, however, be a sudden shift towards re-financing, but this was likely to be limited.

However, if about 10 per cent of the total £3bn outstanding borrowings were to be re-financed, there would be a once-for-all outflow of about £1bn.

If a 20 per cent increase in the underlying rate of net direct overseas investment of about £20m were to occur, and this would be financed 50 per cent overseas and 50 per cent in sterling, then the extra annual outflow in the future would be about £200m.

Prof. Cedric Sandford, director of the Centre for Fiscal Studies, University of Bath, told the conference that the Budget made a notable contribution in increasing the efficiency with which revenues were raised. There was a reduction in administrative costs for the Inland Revenue and Customs and Excise in the switch from direct to indirect tax. The simplification of income tax and the investment surcharge reduced the compliance costs of taxpayers by an even greater amount.

The tax switch was also likely to generate a net reduction in the amount of tax evasion with consequent revenue increase. Avoidance might also be discouraged.

Actors appeal to Premier in protest against cash cuts

FINANCIAL TIMES REPORTER

MORE THAN 3,000 members of Equity, the actors' union, yesterday marched through London's West End in a protest against increases in VAT and cuts in Arts Council grants and public spending.

In its Budget the Government announced reductions of about £5m in the arts, most of the savings coming from cut-backs in housing the arts. But the Arts Council also had its 1979-80 budget reduced by 2 per cent, or £1.4m. As a result its beneficiaries are being informed that their grants are being cut by 2 per cent across the board.

This cut-back is a double blow for the subsidised theatres, orchestras, ballet and opera companies because they have also been affected by the rise in VAT on ticket sales. The VAT rises have caused problems too for the commercial theatre, especially in the West End.

Crisis point

Sir Ralph Richardson, aged 76, who took part in the march, said: "Live theatre in Britain is acknowledged as the best in the world, yet we are among the most under-subsidised."

"The Scrooge-like cuts by the Government will only worsen what is already a critical situation. It cannot continue."

Equity's general secretary, Mr. Peter Plowright, said: "We have been struck by a triple blow—massive VAT increases allied with cuts in the Arts Council grant and local government spending."

The marchers lobbied Parliament, and a deputation led by Mr. John Barron, Equity's president, handed in a letter to the Prime Minister, Mrs. Margaret Thatcher. She was urged to take action to prevent damage to live arts and entertainment.

The letter said that while successive governments had recognised the need to meet their responsibilities to the arts, the extent to which the live arts were being supported by the state and local authorities still "falls lamentably short of that



A determined Sir Ralph Richardson (centre) joins in the march to denounce the "Scrooge-like cuts" in Government support for the arts.

in the other countries in the EEC.

"In some of these it has been found possible to exempt the theatre altogether from VAT or to impose a lower rate as a means of sustaining or encouraging live performances."

Equity said that it was not in any sense part of a "fame duck industry." It said that it could be demonstrated that for a relatively modest investment, the nation received a handsome return.

For example, more than 50 per cent of foreign tourists in the UK said their main reason for coming was to see British

theatre, said Equity.

It continued: "Less easily quantifiable, but no less true, is the fact that our unrivalled and, to the nation, profitable television industry derives its high standards and international reputation to no small degree from the existence of our theatres and other places of live entertainment."

The actors' union also reminded the Government of its own discussion paper, *The Arts: The Way Forward*, published last year, in which it was said that the arts should be protected from across the board expenditure cuts.

Kaiser Aluminium will open fertiliser factory in Wales

BY RHYS DAVID

KAISER ALUMINIUM and Chemical Corporation, of Oakland, California, is planning to begin fertiliser manufacture in Britain at a new factory in Wrexham, North-East Wales.

The company has agreed on a site with the local authority, and is expected to make a formal announcement shortly. The company declined to give details yesterday of likely output or employment at the plant, but it is understood that production will involve blending of granular materials to produce ammonia-based fertilisers.

Kaiser is one of the world's six big aluminium companies, but is also involved in a range of diversified activities including fertilisers. It distributes the main U.S. agricultural states from its fertiliser headquarters in Savannah, Georgia, and

through Kaiser Trading in London sells some production to other farming markets, including Europe.

The development would be Kaiser's second major investment in Wales. The company was one of the three original shareholders with Rio Tinto Zinc and BIOC in the 100,000-tonne-a-year Anglesey Aluminium smelter set up in 1967, and following BIOC's withdrawal acquired a majority shareholding.

Highest

The fertiliser project was under discussion with the local authority before the recent Government decision to include Wrexham, previously a development area, in the list of towns which will now qualify for special development area grants.

Crown Estate surplus up 19%

BY PAUL TAYLOR

RISE IN London and agricultural property rents helped the Crown Estate to increase its net income surplus by almost 19 per cent to £8.93m last year.

The Estate, which derives its income from assets handed to the Exchequer by the Queen in 1952 in exchange for her Civil List income, is benefiting from rent reviews on its commercial and agricultural properties.

The Crown Estate Commission's report for the year ending March 31 shows that receipts rose by £2.2m last year, and expenditure by £1.2m.

Agricultural rents from the 178,066 acres owned by the Crown Estate in England increased by about £700,000 to £3m last year. In Scotland rents from 87,730 acres of agricultural land rose by more than £68,000, to nearly £473,000.

Mineral royalties, mainly from dredging sand and gravel from the sea, produced more

than £1.3m in gross income. A record 92,500 visitors to the Savill Garden at Windsor brought gross receipts increasing by 36 per cent to £116,500.

Gross rents from urban estates increased by more than £1.1m to £9.1m. After allowing

for about £500,000 held over in balances from the previous year, together with the £1m voted by Parliament to the Crown Estate last year, the net income surplus, a total of £8.25m, has been paid into the Exchequer's consolidated account.

Airline sale 'a year away'

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE GOVERNMENT'S plan to sell a "substantial minority" of the shares in British Airways, the State-owned airline, is not likely to happen for at least a year.

Mr. John Nott, Secretary for Trade, said in London yesterday that the Government had not yet committed itself on the timing of the share sale. The necessary legislation was likely to take at least nine months to be drafted, and enacted, he added.

This meant that the shares would be unlikely to be publicly offered for at least a year. He reiterated the Government's statement of Friday, that the timing of the sale would depend upon the prevailing market conditions.

The shares sale, part of the Government's long-term industrial strategy to disengage itself progressively from industry, is expected to ease the public spending burden by up to about £1bn over a period of time.

The second scheme, the enterprise loan, is mainly for buying fixed assets and ranging from between £25,000 and £250,000, though the upper limit is flexible.

The normal loan term would be 10 years, with interest charged at between 3 and 5 per cent over base rate.

Agency in bid to end Ulster bike deal

By Our Belfast Correspondent

THE NORTHERN Ireland Development Agency is seeking to end an agreement it made last month to aid the production of motorcycles in Belfast.

The deal was agreed with E. Cotton Motorcycles of Bolton for the production of two types of motorcycle, one of them a newly-developed 250cc racing machine.

It was heralded by the agency as an attempt to challenge "the dominance of the Japanese" in motorcycle production. But Mr. Terence Wilson, managing director of Cotton Motorcycles, said yesterday the agency was backing out of the deal and seeking repayment of cash already committed. The figure involved is understood to be £15,000.

The agency was thought to be concerned that the racing motorcycle was not given sufficient outings on the race track. Production was to have started within a few weeks and sales would clearly rely on its racing success.

It was hoped that the deal would have created several hundred jobs in the first year of production.

Lloyds Bank loan schemes

LLOYDS BANK is to introduce two loan schemes aimed at companies with an annual turnover of about £100,000 or more.

The first scheme, the asset loan, will enable businesses to buy equipment, vehicles and premises. Loans will range from £5,000 and £25,000 for up to five years, with interest charged on a flat rate basis with fixed monthly repayments.

The second scheme, the enterprise loan, is mainly for buying fixed assets and ranging from between £25,000 and £250,000, though the upper limit is flexible.

The normal loan term would be 10 years, with interest charged at between 3 and 5 per cent over base rate.

CORPORACION NACIONAL DEL COBRE DE CHILE

CODELCO-CHILE



COBRE DE CHILE CHU QUICAMATA DIVISION SALE OF RAILWAY EQUIPMENT

CORPORACION NACIONAL DEL COBRE DE CHILE (CODELCO-CHILE), CHUQUICAMATA DIVISION, is offering for sale the following items of railway equipment:

22 DIESEL ELECTRIC LOCOMOTIVES

Make: General Motors. Model: SW-1200; 1,200 hp sea level. Dimensions: Length 44' 5"; Height 14' 6 1/2"; Width 10'. Weight: 248,000 lbs approx. Max. Speed: 55 mph. Gauge: 56 1/2". General condition: Operable. Purchased between 1956-1963.

4 ELECTRIC SHUNTER LOCOMOTIVES

Make: Baldwin Westinghouse. Dimensions: Length 22' 7 1/2"; Height 13' 8"; Width 10'. Weight: 30 tons approx. Max. Speed: 32 mph. Gauge: 56 1/2". General condition: 2 fair/operable, 2 poor. Purchased: 3 in 1927 and 1 in 1944.

5 LINE RUNNERS

Make: Nordberg. Model: "S"; Wakeshua engine. Purchased: 1950. 2 RAIL TROLLEYS WITH TWO WAGONS COUPLED TO EACH ONE. (for maintenance purposes)

Make: Fairmont. Model: "F"; Ford engine. Purchased: 1 in 1959 and 1 in 1975.

2 TIE-TAMPING MACHINES

Make: Fairmont; Tampert Electromatic. Model: W-23-B.1; UDEJ-2; General Motors engine. Purchased: 1963.

4 ELECTRIC CRANES

Make: Brown Hoist. Model: IBH-50.T, IBH-50.T, American Hoist; DR-50.T, American Hoist; 7040-DE, American Hoist. Purchased: 1 in 1939, 1 in 1959, 1 in 1957 and 1 in 1975.

General Conditions

1. Most of the equipment is operable.
2. Location: Mineral de Chuquicamata, ex-construction warehouse area.
3. Viewing: Monday to Friday from 13.00 hrs to 17.00 hrs. From 23th July to 27th August, 1979.
4. Chuquicamata Division will have personnel available on site to answer enquiries regarding the equipment on sale.
5. Offers for part or all of the equipment should be addressed to Oficina de Ventas del Departamento de Contratos, Casa 319, Chuquicamata, in a sealed envelope to reach the Division not later than 15th October, 1979.

مكثان النحل

NEDO urges computer links with Americans or Japanese

BY JOHN LLOYD

THE COMPUTER industry should consider links with U.S. or Japanese companies to increase its competitive strength, says a report yesterday by the computer-sector working party of the National Economic Development Office.

The report, by the working party's multinationals sub-committee, says that the Japanese have concentrated efforts on competing with IBM, which holds 60 per cent of the world market, and that "the battle between the Japanese and the Americans for world computer markets may prove to be the single most important factor in the 1980s in determining the structure of the worldwide supply industry."

The report states that "casualties among companies caught in the crossfire could be considerable." While International Computer (ICL), the UK computer manufacturer, is not named, it is clearly thought of as a possible "casualty," together with other independent

manufacturers. The strategy of linkage proposed by the sub-committee for consideration by the working party is similar to that put forward by the consumer electronics working party some months ago.

That report, based on a pessimistic survey of the consumer electronics industry, recommended a virtual takeover of large sections of the industry by Japanese companies.

Adequate

Other recommendations on multinationals include: Foreign-owned multinationals should receive selective assistance for new ventures only on condition that they continue UK production for a set period.

• Multinationals should be encouraged by the Government to increase their local purchase of parts, sub-assemblies and services.

• The Government should review with the multinationals the scope for substituting imports of sub-assemblies and equipment for UK manufacture.

Public-sector contracts for new applications should be offered first to home suppliers.

• The Government should tackle the shortage of highly qualified personnel, and ensure an adequate supply in future.

On contribution to the balance of payments, the report says that it is not clear if these companies make a net contribution. "The net result, however, is that the UK has a substantial and deteriorating balance-of-payments deficit 1976 £110m; 1977 £150m; 1978 possibly £200m."

Apart from ICL, which already gains half its orders from overseas, only the foreign-owned multinationals "can influence the balance of payments in the kind of way the sector working party would see as desirable."

Galsworthy's papers fetch £48,000

THE PAPERS OF John Galsworthy made the highest price, £48,000, at yesterday's sale by Sotheby's of autograph letters, literary manuscripts and historical documents. The diary of Nijinsky, in Russian, went at £45,000 against a pre-sale estimate of over £50,000. The Galsworthy papers were bought by John Fleming, New York, and the ballet dancer's diary, written in the winter of 1918-19 just before he lapsed into insanity, was bought by Colin Franklin, Oxford.

The second and last day of the sale amounted to £223,587, bringing the total to £280,497. Quaritch gave £10,500 for one volume of the celebrated diary by the Rev. Robert Kilvert. The period covered is April 27 to June 10, 1870. Letters from Edward Thomas to his friend and fellow-poet dated between January 15, 1908, and April 4, 1917, just before his death in the war, went to B. Rota for £10,000.

Eight autograph poetical manuscripts and drafts by W. B. Yeats fetched £7,500 from an American dealer, and an autograph manuscript of his poem *The Ragged Wood* was bought by Quaritch for £2,300.

Clocks and watches went under the hammer at Phillips for £22,150. Lipton paid £2,900 for a 19th-century lyre clock, the blue-decorated porcelain case mounted in ormolu. Morsel gave £1,000 for an 18th-century Friesland Steinklok, the painted dial within painted cast-lead feet, and Healy and Baker bought a Swiss early 19th-century quarter-repeating musical watch for £1,700.

Tribal art at Christie's made £42,351. *Autwiste* paid £4,200 for an Azande wood standing mother-and-child group.

Objets d'art and Russian art totalled £22,670. A set of six gold-mounted Fabergé dress studs with cabochon moonstone centres went to Warisk for £2,100, while a Swiss circular gold snuff box of the late 18th century made £1,700.

Sporting prints and maps sold for £20,138. An album of caricatures by James Gillray and others went for £2,400 to Edmond.

Saleroom PAMELA JUDGE

The second and last day of the sale amounted to £223,587, bringing the total to £280,497.

Quaritch gave £10,500 for one volume of the celebrated diary by the Rev. Robert Kilvert. The period covered is April 27 to June 10, 1870.

Letters from Edward Thomas to his friend and fellow-poet dated between January 15, 1908, and April 4, 1917, just before his death in the war, went to B. Rota for £10,000.

Eight autograph poetical manuscripts and drafts by W. B. Yeats fetched £7,500 from an American dealer, and an autograph manuscript of his poem *The Ragged Wood* was bought by Quaritch for £2,300.

CBI code urges 'open-style' management

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

COMPANIES ARE recommended to adopt an "open style of management" and to increase communication and consultation with their employees in a new code of practice to be published soon by the Confederation of British Industry.

The code, which has been approved by the CBI's council, is the latest stage of the confederation's work on employee participation, which was started during the Bullock Report battles over worker directors.

Although the CBI stresses that it is "not a political document drawn up in response to the Bullock Report, or the possibility of legislation on industrial democracy," the code does owe its existence to a belief held by the CBI that industry must introduce its own reforms voluntarily if it is not to be saddled with laws in the future.

Called "Guidelines for action on employee involvement," the code acknowledges that industry could be doing more to help employee participation. It then goes on to explain what companies should consider doing, and how they should involve their managements.

It does not break any new ground in terms of CBI policy and does not, for example, go in to the rights or wrongs of worker directors or other forms of industrial democracy.

Fundamentally what we are talking about is an open style of management operated by managers with the necessary professional skills, self-confidence and pride in their job," says the CBI. "We are talking about the communication and consultation arrangements which are integral parts of this management style."

"We are not talking about changing the manager's role as

decision maker; we are talking about helping him to achieve the consent which he needs to put his decisions into action."

What is needed is "strong managers" who have the "confidence, knowledge and skills to communicate information, to discuss the difficulties of various courses of action, and at the end have the credibility, courage and determination to see that decisions are successfully implemented."

Stressing the need for leadership from the top of a company, the CBI says: "It is no use expecting middle and junior managers to communicate and consult with others if they in turn are not kept informed and consulted by senior managers."

The detailed guidelines start with recommending companies to set their objectives for employee involvement. "In the broadest sense we are talking about a means of achieving a more competitive, more efficient British industry through improved employer-employee relationships," says the CBI. This statement, it illustrates the sharp difference between its ideas and those of the TUC's industrial democracy demands which are aimed at changing the balance of power in industry.

Next, companies should decide what forms of employee involvement are already occurring and how they should be extended through formal and informal methods.

All employees should be included, and union members should "be encouraged to play their full part."

The CBI also stresses the need for training and recommends that managers and employees' representatives should where possible be trained together.

Rover sales up in Europe

BY LISA WOOD

JAGUAR, Rover, Triumph yesterday said that sales of Rover cars in Europe have increased by 58 per cent in the first six months of 1979, compared with the same period last year.

A total of 6,353 Rover 3500

and 2600 saloons, worth £50m, were registered in Europe between January-June, compared with 4,070 last year.

The company said sales in France were particularly good and the Rover had started to make progress in the French executive car market.

NEWS ANALYSIS—BRITISH AEROSPACE SHARES

Air group fears for the long term

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

IT IS widely hoped in the UK aerospace industry that the Government's plan to sell off half the shares in the State-owned British Aerospace group to private investors, and oblige it to find most of its future cash from its own commercial sources, will not be allowed to disrupt the most vital task facing the group—which is building and selling aircraft.

A major re-equipment tide is now flowing through the world's airlines, which is expected to add more than 3,500 aircraft to the commercial fleets by the early 1980s. Sales of military aircraft and guided weapons are also expanding world-wide.

British Aerospace is trying to capture as much of this business as it can. This is already a difficult task, in the face of tough foreign competition. It could be made even more so if the industry is obliged to undergo the experience of partial denationalisation only two years after being nationalised.

The industry is not too concerned about the plan to sell off the shares. Nor is it too worried about the future need to raise more of its cash needs in the commercial market.

What is causing concern is the fact that the forthcoming legislation proposed by the Government will not entirely rule out the long-term possibility of dismemberment of the group—perhaps selling off such profitable parts as the Dynamics Group, which is responsible for space and guided weapons.

This is widely regarded as potentially disruptive, damaging to morale throughout the industry. The industry is asking why, in the light of the Government's own expressed preference for maintaining the present structure of British Aerospace, it needs to even so much as suggest in its proposed legislation the possibility of such dismemberment. If there is no intention of it, why include it?

Lord Beswick, chairman of

British Aerospace, and his team have worked hard over the past two years to try to consolidate the activities of British Aircraft Corporation, Hawker Siddeley Dynamics and Scottish Aviation, which comprise the State-owned group.

They have established a programme of military aircraft development, underpinned by the big Anglo-West German Italian Tornado multi-role combat aircraft, of which 809 will be built, with hopes of big American deals for the Harrier jump-jet fighter, and the continued success of the Anglo-French Jaguar jet strike-trainer and the Hawk trainer in export markets.

Now looming is the possibility of another big new collaborative venture on an advanced tactical combat aircraft, the AST-403.

On the civil side, a similar pattern is now developing. The European A-300 and A-310 Airbus (in which BAE has a 20 per cent stake) are selling well,

while a big co-production deal with Romania on One-Eleven jets, which might eventually result in up to 80 aircraft being built, was recently signed. Sales of the BAE 125 executive jet, and the BAE 748 feeder-liner, continue steadily.

Some new programmes have still to come to fruition. They include the new version of the jetstream commuter airliner, and the BAE 146 four-engine feeder-liner, which alone is likely to cost more than £200m to develop. In the 1980s, a new 130-160 seat short-range airliner is likely to be developed with other West European countries, under the "Joint European Transport" programme.

Collectively, these civil ventures are likely to cost British Aerospace more than £500m to develop. The 1978 annual report of the group said that it hoped over the next five years to find about half that sum from its own resources—the inference then being that the rest would

have to come from the Government.

Now, British Aerospace will have to go to the commercial capital market for whatever additional funds it needs. This will mean that BAE will have to put a convincing case to win the funds it needs.

None of this seems likely to frighten Lord Beswick or his colleagues. Over the past two years, they have emphasised that it is their intention to make British Aerospace profitable, and especially the commercial aircraft division.

So far, they have done well. Trading profits of British Aerospace as a whole in 1978 amounted to £79m, with net profits after tax, interest and other items amounting to £29m. Sales in that year amounted to £384m, of which £487m, or 55 per cent, were export sales. At the end of last year, the order book stood at nearly £3bn, up substantially from £2.3bn at the end of 1977.

Callaghan opens new Labour HQ

THE NEW Labour Party headquarters in Walworth Road, Elephant and Castle, South London, was opened yesterday when Mr. James Callaghan, the Leader of the Opposition, performed the traditional stone-laying ceremony.

The party hopes to occupy the restored Georgian building by the end of the year. For 51 years it has been a tenant of the Transport and General Workers' Union in Smith Square.

The lease expires in 1980 and the union wants the Smith Square building for its own purposes. Mr. Callaghan said that there had been times in the past when he had despaired of ever seeing the headquarters project being completed.

The £1.6m needed to restore the building was raised by a consortium of trades unions affiliated to the Labour Party since the launch of a £1-a-brick appeal in 1977 failed to raise sufficient funds.

£172m health scheme launched

BY PAUL TAYLOR

ONE OF England's poorest health authorities yesterday confirmed plans for a 10-year £172m hospital building programme—and announced the need for revenue spending cuts of about £10m this year.

The North West Regional Health Authority confirmed plans for the £172m hospital building programme. It will involve 25 construction projects at district hospitals as part of an overall £480m capital programme during the next 10 years.

The hospital building programme—the biggest planned by the region—will involve the construction of a new district hospital near Altrincham and the upgrading of other old general hospitals in the region.

New buildings will be constructed on a standard design around a nucleus departments which can be developed in phases to provide a complete hospital.

Work on seven of the main projects, including the new hospital at Altrincham, costing £12m, is to start in 1982-83. The programme clearly depends on Government public expenditure plans which have already hit the region's expenditure plans—in common with other health authorities—after the announcement by Mr. Patrick Jenkin, Health Secretary, last week of a £90m-£100m squeeze on regional health authority expenditure in 1979-80.

Although the squeeze will affect the North West Region less severely than other regions—particularly those in the South East—the North West Region is expected to have to make cuts totalling £18m to stay within the Government cash limits this year.

The £10m shortfall is made up to £2m in wage increases above expected level, £3m because of the increase in VAT and £5m because of other price inflation.

Wider court role on secrecy urged

BY A. H. HERMANN, LEGAL CORRESPONDENT

THE Law Society supports most of the Franks Committee proposals for reform of section 2 of the Official Secrets Act, 1911. However, it seeks more protection for individuals and wants greater discretion to be given to courts in the application of new legislation.

One of the principal recommendations, made by the society's Law Reform Committee in a memorandum published yesterday, concerns

protection of the confidences of the citizens. These should be protected by criminal sanctions against disclosures not only when the confidences were given by him to the Government, but also when the information was acquired by the Government department from other sources.

The Law Society also differs from the Franks Committee on who should determine whether information was correctly classified

as secret. The Franks Committee assigned this role to the Attorney General.

The Law Society, however, says courts should decide not only whether the relevant information was classified but also whether it was reasonable that it should have been classified. Moreover, the Law Society proposes that it should be a defence if the accused disclosed the information for the public good and the disclosure actually did further public interest.

West is still underfunded by about 5.8 per cent, according to Government figures.

The region's capital allocation in 1979-80 was set at £36.7m at November 1978 prices—

New giant hovercraft challenge sea ferries

By Lynton McLain

GIANT hovercraft designed to compete with passenger car ferries over routes of 200 miles are planned by the British Hovercraft Corporation, 20 years after the first Channel crossing by an experimental craft.

The first hovercraft over the English Channel—the three man SRN 1—made the two-hour crossing 20 years ago today. The latest Super 4 craft, the biggest in the world, with 416 passengers, takes 30 minutes.

But far from being at the end of their potential development, new hovercraft are expected to open further routes over the Channel, the Irish Sea, in Scandinavia and in the Mediterranean.

The corporation is spending £500,000 a year on research and development to improve efficiency and raise the competitiveness of hovercraft. Many of the new designs will be based on further changes to the existing Super 4.

Quieter ride

The cost of operating large hovercraft now almost equals that of conventional ferries.

The corporation claims that its existing craft can make a profit on short Channel routes without fare premiums for the higher speeds.

This competitiveness is expected to increase in the early 1980s. The first improved Super 4 will be available—if the demand is there—from 1981. The changes are designed to make it directly competitive with ferries on routes of up to 100 miles.

The larger hovercraft will be designed for 200-mile sea crossings and these craft—larger than the 300-ton Super 4—are expected to use fuel almost twice as efficiently as the existing craft.

The use of quieter, more efficient engines now available will cut fuel consumption by 30 per cent, and new designs of the supporting rubber skirt may reduce friction by 35 per cent.

British Rail Seasepod, which has the only two Super 4s so far built, believes that the improvements will enable it to move into profit from a £2.2m loss last year. Advance bookings on the Channel are already double those of last year.

Death rate shows rise of 1.74%

By James McDonald

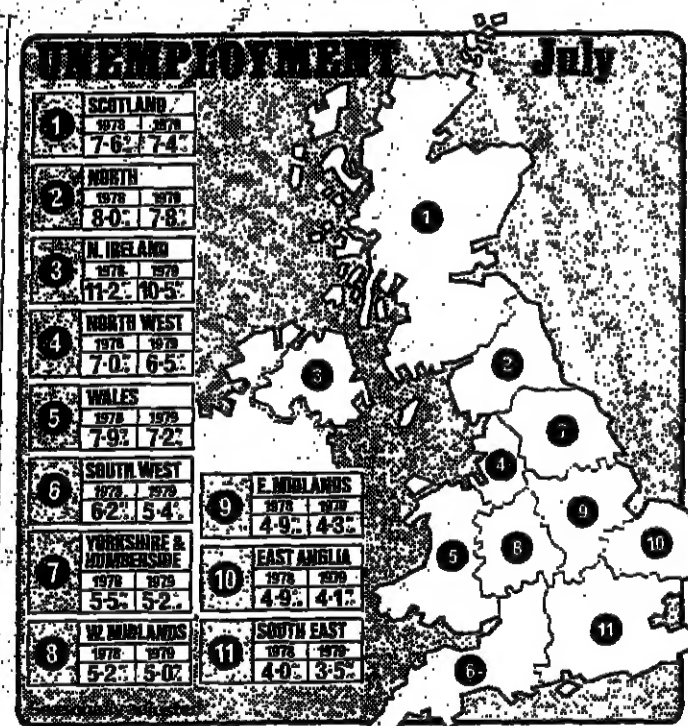
THE NUMBER of deaths registered in England and Wales last year was 585,945—1.74 per cent higher than in 1977—according to the Office of Population Censuses and Surveys.

The only change from 1977 in the order of the main causes of death, in each age-group was that respiratory diseases again resumed third place in the 45-54 age group in place of cerebrovascular disease.

The report said that there was limited significance in changes in the number of deaths from one year to the next. "Such short-term changes are usually the result of differences in weather conditions or the presence or absence of an influenza epidemic."

"Of the increase in deaths between 1977 and 1978 almost half—4,631—was accounted for by an increase in deaths from heart disease. "This represents only a 3 per cent increase in what is in any case the commonest cause of death and might be attributable at least in part to the cold weather."

Larger proportional increases were to be found in deaths caused by motor accidents—14 per cent—and in the category "all other external causes"—10 per cent.



BY PETER RIDDELL, ECONOMICS CORRESPONDENT

REGIONAL differences in the level of unemployment are widening again. In the month to mid-July the total rose in Northern Ireland, Scotland, northern and north-western England and Yorkshire and Humbersides, even though the national figure was unchanged on a seasonally adjusted basis.

Over the past 12 months

total UK adult unemployment has fallen by 6.5 per cent, but the decline has been 2 per cent or less in northern England, Scotland and Northern Ireland. The drop in south-east England has been 12.5 per cent.

Over the same period the number of adult men out of work has dropped by 9.4 per cent to 391,400.

Conference to discuss bureaucracy

By James McDonald

INDUSTRY'S "fifth column—the bureaucrat within"—is among the topics to be discussed at the annual conference of the Marketing Society in London on November 28.

The speakers will include: Mr. Enoch Powell, MP; David Stockwell, managing director of Harris Carpets; Sir John Keswick, director and former chairman of Jardine Matheson and Co.; and Geoffrey Darby, managing director of the Cadbury Schweppes Drinks group.

Other speakers will include: Mr. Peter Walker, Minister of Agriculture; Lord Armstrong, chairman of the Midland Bank; Arthur Scargill, president of the Yorkshire area of the National Union of Mineworkers; and Sir James Goldsmith, chairman of Cavenham.

The conference will discuss whether entrepreneurial flair is being stifled by a corporate bureaucracy of business's own making. Another topic for discussion is that business is still on the defensive and, as a result, the vital role of entrepreneurial marketing is in danger of being inadequately funded or even neglected.

The Marketing Society, Spa House, 11-17, Worpole Road, London, SW19.

Price body praises Shell UK Oil

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE Price Commission, in its final company investigation report, before it is wound up by the Government, yesterday gave Shell UK Oil a virtually clean bill of health.

But the Commission emphasised that in the present oil market, with restricted supplies and rising petrol prices, "a policy of short-term profit maximisation would not be justified."

The Commission also welcomed the company's intention to continue seeking a high volume throughput of petrol sales at low margins, since this encourages operating and distribution efficiency.

The Commission says, however, that it "would expect some of the benefits to be passed on to the consumer when the balance between supply and demand in the oil industry is restored."

The Commission also refers to the company's target of improving efficiency by 4 per cent a year in real terms between 1979 and 1983. "This improvement was achieved in 1978 and Shell UK Oil informs us that it is on target to repeat its achievement in 1979," the report says.

"Such improvements will presumably enable Shell UK Oil to absorb at least part of the increased costs of crude oil."

Shell UK Oil, which was set up in 1976 after the break-up of the joint Shell-Mex and BP marketing operation in the UK, had sought a 6 per cent petrol price rise from March 9. Although the Commission had initially decided to freeze this increase, it eventually allowed two interim rises that gave the company the full increases sought.

However, the Commission continued with its three-month investigation. The report shows that the company "made very modest profits before interest on an historic cost accounting basis over the period under review when UK demand for oil remained fairly static."

In spite of low profitability,

says the report, "Shell UK Oil was able to finance its operations and capital expenditure in 1977 and 1978 before interest and dividends on its capital."

But the Commission says that the forecast for 1979 "is for a profit before interest and taxation representing a return on capital employed of 18.5 per cent on an historic cost accounting basis, or a 5.6 per cent net profit margin before interest and taxation."

However, the Commission acknowledges that "recent events have already rendered the forecast out of date."

It adds: "Events in the oil industry have moved swiftly in the past few months and we have not attempted to take into account the impact of the latest rises in crude oil prices in offering our recommendations."

The Commission says that since the Government said that it "would be inappropriate to initiate any more investigations," the report considers only the initial notified price rises and not the subsequent price rises.

Price Commission investigation report No. 44: Shell UK Oil—oil and petroleum products.

New Abbey National 4 year Bondshares.

New Abbey National 4 year Bondshares are special. At present, special to the tune of 9.50% p.a. (worth 14.18% to the basic rate taxpayer). And, though rates may fluctuate, you'll always get 1.50% p.a. more than the basic share rate. That's a promise. So come on in. For 4 years. We'll keep it warm for you.

Minimum investment £500.

Current Bondshare rates Gross equivalent when income tax is paid at a basic rate of 33%.

	4-year term	3-year term	2-year term
Current	9.50% p.a.	9.00% p.a.	8.50% p.a.
Gross equivalent when income tax is paid at a basic rate of 33%	14.18% p.a.	13.43% p.a.	12.69% p.a.

ABBEE NATIONAL BUILDING SOCIETY, ABBEE HOUSE, BAKER STREET, LONDON NW1 6XL

To: Dept. B.S., Abbey National Building Society, FREEPOST, Baker Street, London NW1 6XL.

1/We enclose a cheque, numbered _____ value £ _____ to be invested in Abbey National Bondshares for the period indicated.

4-YEAR ☐ 3-YEAR ☐ 2-YEAR ☐ Tick appropriate box
1/We understand that my/our interest will be paid out at 6-monthly intervals, and that the investment cannot be withdrawn earlier than the stipulated period except in the case of death.

FULL NAME(S) _____

ADDRESS _____

DATE _____

SIGNATURE(S) _____

FT7

ABBEE NATIONAL BONDSHARES

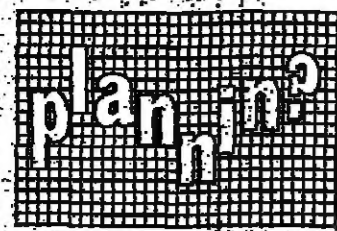
Get the Abbey Habit

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Corporate strategy—a question of survival for the smaller company

Previous articles in our planning series have discussed the experience and techniques of large companies. Today, Bernard Taylor argues that many of the same principles also apply to small businesses, though approach and procedure can both be drastically simplified.



ONE OF the things that distinguishes the successful small business from the rest—the "thrusters" from the "sleepers"—is their knowledge of where they are going, and how they intend to get there. In other words, in their better business planning and control.

The introduction of planning into a small company is not an easy process. It can involve traumatic changes for the chief executive and his family—and for his fellow directors and senior managers. But it is not merely a means of improving business results—it is often the only way to survive in a tough business environment.

The small businessman has a natural aversion to bureaucracy. To him corporate planning is associated with the meaningless rituals which occur in large companies when they are formulating their five-year plans. It sounds like a rather expensive form of forecasting and budgeting. It smacks of decision-making by committee, leading to delays and missed opportunities, and to the appointment of expensive staff specialists. Is this what is involved?

The answer is "No." In a small business—taken in this article to mean firms with up to 500 employees—the planning is done by the chief executive and his team. The aim is to produce not a detailed five-year plan and budget, but a corporate strategy including some specific objectives and priorities.

For these, formulating corporate strategy involves an assessment of the strengths and weaknesses of the business, in particular its competitive position in the market, and carrying out an analysis of profit opportunities and likely threats, financial and otherwise. This usually leads to the development of project teams and action plans aimed at tackling specific problems or opportunities.

But planning also means involving the senior executives in a continuing discussion about the future of the business, finding the time periodically to discuss objectives, business trends and alternative strategies; and ensuring that the board meets occasionally in discussion rather than operational problems.

Indeed, one of the main parts of that strategy must be the controlled development of organisational structure and decision-making responsibilities at the top.

When you ask a small businessman to define his strategy, he sometimes finds it surprisingly difficult to understand the reasons for his success—or his current difficulties. Often the request for a strategy is answered with a financial plan and budget for the present business. Financial goals may be useful measures of performance, but budgets do not say how the results are to be achieved.

Or a businessman may say he wants his business to grow at, say, 30 per cent a year, and he is looking for "growth opportunities." Here again, this begs several questions. What is the present scope of the business? What are its inherent strengths? And what are the opportunities for growth on which it can capitalise without stretching its resources?

Intuition

The ability to develop and communicate a rationale for the business is the hallmark of the successful entrepreneur. To quote Peter Drucker: "Every one of the great business builders we know of—from the Medici to the founders of the Bank of England—down to Thomas Watson in our day [Watson founded IBM] had a definite idea, a clear 'theory of the business' which informed his actions and decisions. Indeed a clear, simple and penetrating 'theory of the business' rather than 'intuition' characterises the truly successful entrepreneur; the man who not only amasses a large fortune but builds an organisation that can endure and grow long after he is gone."

The individual entrepreneur does not need to analyse his concepts and to explain his "theory of business" to others, let alone spell out the details, says Drucker. "He is, in one person, thinker, analyst and executor. Business enterprise, however, requires that entrepreneurship be systematised, spelled out as a discipline and organised as work."

This is what the small businessman is concerned with in his corporate planning: "organised entrepreneurship."

The technical difficulties of working out a corporate strategy are often far less of a problem than effecting the necessary change in management style. A. E. Perrigo, Head of the Small Business Centre, at Aston University, Birmingham, puts it succinctly:

"A characteristic of many smaller businesses is that their day-to-day activities virtually absorb the whole energies and attention of management. In consequence of which practically no time is given to their longer term interests and needs. ... In consequence, they neither plan to take advantage of the unfolding opportunities available to them, nor prepare to take action to minimise or avoid risks which threaten them."

"Before corporate strategy can be developed," says Perrigo, "attention must be given to the day-to-day operating situation and the essential steps taken to free the chief executive from his pressures to permit him to devote the necessary time to the longer term requirements of the business."

What this involves is moving from one-man-show dominated by the owner-manager to management on a team basis. This is by no means easy.

Initially, the small business is an extension of its creator, the expression of his strengths and weaknesses. It represents the

sum of his resources, ideas, imagination and drive. He wants to have full personal responsibility for results, he sets challenging standards, and he likes to have rewards based on performance. He is willing to work extremely hard for long hours and he is often obsessive about his business.

These personality characteristics are extremely valuable in the pioneering stage but they can cause problems when the business grows and the owner needs to delegate some of his responsibilities to others, before providing for management succession.

Confusion

It is obviously of fundamental importance that the board of directors should accept its responsibilities for policy-making. This may require its reconstruction, for example, by the co-opting of new external directors, and a change in its mode of operation. Yet a British Institute of Management survey of 300 firms with less than 500 employees suggested that all too often, in the smaller company, the Board is the creature of the chief executive.

A related and equally key strategic issue for the small business involves sorting out the relationship between the family and the business. The conflict between family goals and business goals can be a major source of confusion in policy-making. This is not, of course, to say that family ownership cannot sometimes help considerably towards the achievement of corporate goals; both Pilkington and Wilkinson Sword have underlined the advantages of not having to worry about outside shareholders when engaging in major risk projects (stainless steel razor blades and float glass, respectively).

But a small firm that is set on growth may well be seeking a public quotation, a takeover, or a source of outside finance. Each of these options will probably involve a loss of independence, though this need not be in both ownership and management.

Reluctance to lose independence is only one of the reasons why some small firms take a strategic decision to restrict their growth. They may also have identified some of the more mundane dangers in growing too fast: such as running short of cash and working capital; finance stocks and debtors; or losing control of deliveries, costs, productivity and quality of operation because their few competent managers cannot be everywhere at once. Both types of error, all too easy to make, can result in bankruptcy. It is not surprising that the failure rate of small firms is so high.

On the other hand, in a developing market, a decision not to grow can be equally disastrous. In this case, the small businessman maintains his sales, but his market position is threatened as his competitors take advantage of the growth in the market to build their market shares. Eventually he finds he cannot compete and has to go out of business or be taken over.

A key to the solution of this problem is for the small company to determine whether it is possible to continue to exist in, and even dominate, a small market segment. Frequently, the small business survives because small indeed is beautiful. This applies most obviously in the service industries.

In manufacturing and construction, too, the small business frequently maintains its position by offering superior quality, better service, innovative design and even lower prices. Here, however, the

success derives from consistently building on internal and market strengths, aggressively strengthening their liquidity and capital positions; and maintaining unusually good operating control through increased attention to management fundamentals.

So business planning is emerging as a key area for management attention in the smaller business—and therefore for management training.

Several management schools have developed seminars which cater specifically for chief executives, directors and senior managers in smaller companies. These take two forms. There is an increasing number of private courses during which the top management of a small firm can assess its company situation and review its strategies and plans with the help of the faculty. There is also a range of open courses which provide the opportunity for chief executives and directors to debate their company's strategies with other small businessmen—and with specialists in various fields, eg finance, business planning, and international business.

At the Directors' Workshops we hold at Henley, small businessmen are asked to explain their strategies in such terms as these:

● What results are you trying to achieve?
● Which opportunities do you aim to exploit?
● What threats must be minimised?
● What resources do you need, and where will you obtain them?
● What are the risks to this strategy?

They find this an uncomfortable but very worthwhile process. It may be the first time in many years that they have had the opportunity to re-examine the raison d'être of their business—their central business idea.

Bernard Taylor is Professor of Business Policy at the Administrative Staff College, Henley, and Editor of the *Long Range Planning Journal*.

Previous articles in this series appeared on June 27 and 29, and July 3, 6, 10, 20. The concluding contribution will be published on Friday.

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

INSTRUMENTS

Surveys the state of the weather

A SET of weather monitoring equipments manufactured to designs and standards of the Meteorological Office is now generally available from Frazer-Nash (Electronics), Lower Teddington Road, Hampton Wick, Kingston Upon Thames, Surrey KT1 4EX (01-877-0061).

For example, the MK5B instrument measures wind speed and direction with averaging over pre-set periods. It can drive many displays without loss of accuracy and can send the data over a telephone line. Another component, Auto-

met, is a microprocessor-based unit for automatic weather stations. It can take the data from up to 16 instruments—wind speed and direction, pressure, temperature—process the data to provide trend analysis, data logging, etc., and provide telemetry transfer to other locations either over Post Office lines or a radio link.

Applications include weather monitoring for safety purposes at oil platforms, power stations and anywhere where the weather is a hazard or is otherwise significant.

Earthing efficiency check

AVAILABLE from Havant Instruments is a compact, hand-held instrument designed to give rapid indication of earthing efficiency in commercial electrical equipment such as electric typewriters, cash registers, photocopiers and washing machines.

Developed to meet the needs of service engineers, and with the requirements of the Health and Safety at Work Act in mind, the unit, called Elite, is connected to the earth circuit via its two test leads. When the test button is pressed a 10A current passes for a time sufficient to rupture any weak link in the circuit and the earth

resistance is indicated by a 3-lamp LED display. Green indicates less than 0.1 ohm (pass), single red indicates 0.1 to 0.5 ohm and double red indicates greater than 0.5 ohm. A green LED battery indicator is also provided.

The Elite has a tough pvc case designed to withstand field use and the instrument is unaffected by falling from a bench on to a concrete floor. The internal cells give at least 50 tests before recharging is needed; a compact plug-in mains charger is supplied.

More from Havant Instruments, Unit 3, Westfields, Portsmouth Road, Hordean, Hants. (0705 596020).

Company Secretary's Review

IN TODAY'S ISSUE

Commercial rent review procedure

Payments abroad

Industrial tribunals—appeal and review

Car leasing—the Budget changes

For the busy professional—essential facts summarised every fortnight in eight pages of invaluable information. Telephone us now on 01-636 9141 for three recent issues, without obligation.

COMPUTING

Data gathered and processed

FOLLOWING THE sale of about 50 of the equipment in various parts of the world, ASERA now to introduce its DS 8AP data acquisition and monitoring system into the UK.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording, for example, provides print-out on the operator's terminal of plant events or the exceeding of limits to a timing accuracy down to a few milliseconds.

Units available include a central processor, process and communication interfaces, a program library, local and remote operator's terminals and remote process terminals.

There are ten available programmed functions in the library and even more can be called upon if needed. Sequential event recording,

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4A 3BY

Telegrams: Finantime, London FSA. Telex: 886341Z, 883897

Telephone: 01-248 8000

Wednesday July 25 1979

Spending 'cuts' in context

IN THE past few days the media have been busy with reports of massive cuts in public spending under discussion in a divided Cabinet. Figures of £200 million or more have been rumoured, and trade union leaders have been busy translating these into thousands of lost jobs. Yet as the Chancellor made it clear at the FT Budget Conference on Monday, the Cabinet has not strictly been discussing cuts at all. The effort for next year, like the cuts in Sir Geoffrey's first Budget, are simply designed to hold the total of public spending, where Labour left it in 1978-79 and to attack plans which Labour had regarded as unpalatable after the pay breakthrough.

Second thoughts

The Government is not altogether to be blamed for this. The Conservative opposition were ready enough to point out that similar exercises in the past by Labour governments were not cuts, but simply second thoughts about unrealistic plans. All the same, the Treasury system of public expenditure control, under which White Paper plans are tentatively agreed, does make such "programme cuts" as they are officially known, difficult and contentious to carry out. The nature of the present review, which appears to be concentrated on current rather than capital spending, and in which some programmes must be genuinely cut to make room for increases in defence and police expenditure, does not make the exercise any less painful.

In principle, the Government is entirely right to face these decisions. Not only the election, but the wave of labour disruption last winter, showed clearly that what the workers and voters of this country want first and foremost is money in their pockets rather than increases in the "social wage" as supporters of public spending like to call it.

This understandably distresses men who have fought for a lifetime for various worthwhile social causes, from decent pensions to nursery schools. They may well wish that the British had the more open-minded view of welfare spending and foreign aid found in the Scandinavian countries or

in Holland. But it was not Mrs. Thatcher who made public spending an unpopular phrase in the British vocabulary. It was the trade union members who went on strike last winter and voted for Mrs. Thatcher in May. It is equally right that the stress should be on current programmes. It is only here that continuing economy can be achieved. Cutting capital investment—Labour's habit in office—is an even less sound way of financing current consumption than selling publicly-owned assets, and it is reassuring to know that the Government's ambitious programme of asset disposals, which can be criticised and defended on other grounds, has not been seen as a soft alternative to programme reviews.

There is a further reason for cuts, real ones this time, which will hurt the unions: these are manpower cuts to offset the large increases in public sector pay now being negotiated through the Clegg Commission. This is simply the hard meaning of cash limits—the public sector equivalent of competitive constraints on pay in the private sector.

Passive role

However, there are two large classes of expenditure which cannot be stabilised so sensibly as current spending on services. These are the expenditures which are demographic, such as pensions and to some extent education, and spending such as unemployment benefit which varies according to the state of the economy.

Here the Government should adopt a more passive role. Pensioners should not be impoverished because they are numerous, if at all possible; and welfare spending can be a useful building economic stabiliser. It is a little disturbing in this context that the Chancellor should have defended the cuts in relation to the borrowing requirement as well as to the demand on resources. The borrowing requirement tends to vary cyclically. Sound money and public preference demand economical management of the public purse. They do not demand a rule which would compel the Government to deflate more savagely in a recession than in a boom—an instability rule.

Endeavouring to keep BS in the launch stakes

BY IAN HARGREAVES, Shipping Correspondent

A CLYDESIDE MP told Sir Keith Joseph recently that the Industry Secretary's visit to Govan Shipbuilders on the Clyde had been described locally as the passing of the angel of death.

On Monday, Sir Keith and his junior minister, Mr. Adam Butler, did their best to counter this allegation by donning the cloak of the angel of mercy.

They told the Commons that they would go on subsidising British Shipbuilders' trading losses at the rate of £100m this year and £90m next, and that they would retain the £250m cash limit already set by the previous Government. Intervention funds to subsidise order bids are also to be retained at £120m over the next two years.

It required a magnifying glass to spot the differences between this package—from a tough Conservative administration dedicated to the market economy—and the proposals made on the eve of the General Election, with what was taken to be vote-seeking generosity by Mr. Gerald Kaufman, then the Labour minister responsible for shipbuilding.

Both policy statements agreed to set British Shipbuilders' commercial capital at nil, both undertook to finance the bringing forward of public sector ship orders and both offered special credit for UK owners converting ships in UK yards.

Under the magnifying glass, of course, there are a few differences. In one respect, Mr. Butler has been more generous, by agreeing to pursue at extra cost a scrap and build scheme for shipbuilding with the EEC.

On the other hand, unlike Mr. Kaufman, he has refused to underwrite British Shipbuilders' desire to retain 34 per cent of the world shipbuilding market, meaning an output of 430,000 compensated gross registered tons (cgrt) in 1981, compared with over 600,000 cgrt last year.

Manifesto climbdown

Mr. Butler is not saying that British Shipbuilders should not seek this goal, which would limit redundancies to about 8,000 in the next 18 months, simply that he cannot guarantee it. Use the magnifying glass, however, on Mr. Kaufman's statement and you see that he was not guaranteeing it either.

Perhaps the most surprising element of the Conservative approach is the reneging, at least for the foreseeable future, on the manifesto commitment to sell back to private enterprise the saleable parts of British Shipbuilders. This line in the manifesto only appeared because of Sir Keith's insistence in the teeth of strong opposition from members who knew the industry better. It is sounded from Monday's statement as if Sir Keith and Mr. Butler are hoping that British Shipbuilders

will eventually become strong enough to permit a BP, British Airways or British Aerospace solution of equity participation. That day is a long way off and it leaves disappointed the former owners of the profitable warship yards of the corporation, all of whom wanted their companies back. It also means no support for those currently bidding to buy and reopen the Falmouth shiprepair yard. Mr. Butler made it clear that he is putting no pressure on BS to dispose of this subsidiary.

Sir Keith has agreed to be so much easier on shipbuilding than on steel, which is faced with a definite instruction to eliminate trading losses next year compared with a vague "review" after two years for British Shipbuilders.

The obvious explanation is that the shipyards are in a worse state than the Tories could have imagined before the election. Also important, however, are the facts that nationalisation is still only two years' old and therefore, arguably, has not had a chance to demonstrate its effectiveness; that the sums of money involved are small, when compared with steel; and that from the defence point of view shipbuilding is a small but vital strategic industry.

What the new Ministers saw when they looked at the books was the prospect that the industry could run out of work and collapse by mid-1980. Mr. Butler then agreed to make a major tour of the yards before reaching conclusions.

What he saw was the evidence of massive investment, much of which has only come on stream since the recession began. Cammell Laird may be tainted with Merseyside's general image of disruption and decay, but the visitor can see in an instant that its covered twin berth is as good as any in the world. The same is now true of core facilities at Sunderland Shipbuilders, Austin and Pickersall, Appledore Shipbuilders, and outside British Shipbuilders, at Harland and Wolff.

Some attempt clearly had to be made to preserve this legacy at a time when the industry can truthfully argue that its worst problems are those of a world recession which has caused shipyards throughout the developed world to equal or exceed losses in the UK.

What has been offered both by this Government and the previous one remains only an attempt. It could fall because its cornerstone is an intervention fund offering 30 per cent discounts on British ships which in the last year has not worked. In 1978 the scheme won only 230,000 cgrt of orders (just over half the intended output at the forecast bottom of the recession in 1980-81) and only £16m of the £55m authorised was actually spent.

Mr. Butler is pinning great hopes on persuading the European Commission that, having

abandoned the Kaufman target of retaining a fixed market share, he is truly applying tapering aid linked to restructuring of the industry, in line with EEC policy. This, he hopes, will allow the Commission to release the UK from its obligation to submit for detailed scrutiny every application for use of the funds. This has led to long delays in processing orders and consequently to lost business.

Scrap and build—offering shipowners a premium for strapping two tons of ship for every ton they agree to build—might also produce a few orders next year, although no one is expecting a bonanza. Slightly easier export credit terms will be more useful, but these have still to be pushed through the OECD, whose shipbuilding group does not even meet again until October.

But some officials who have watched the damping of the breach in the shipbuilding dyke with bigger and bigger subsidies in the past three years believe that in spite of aid the merchant shipbuilding industry is doomed to collapse.

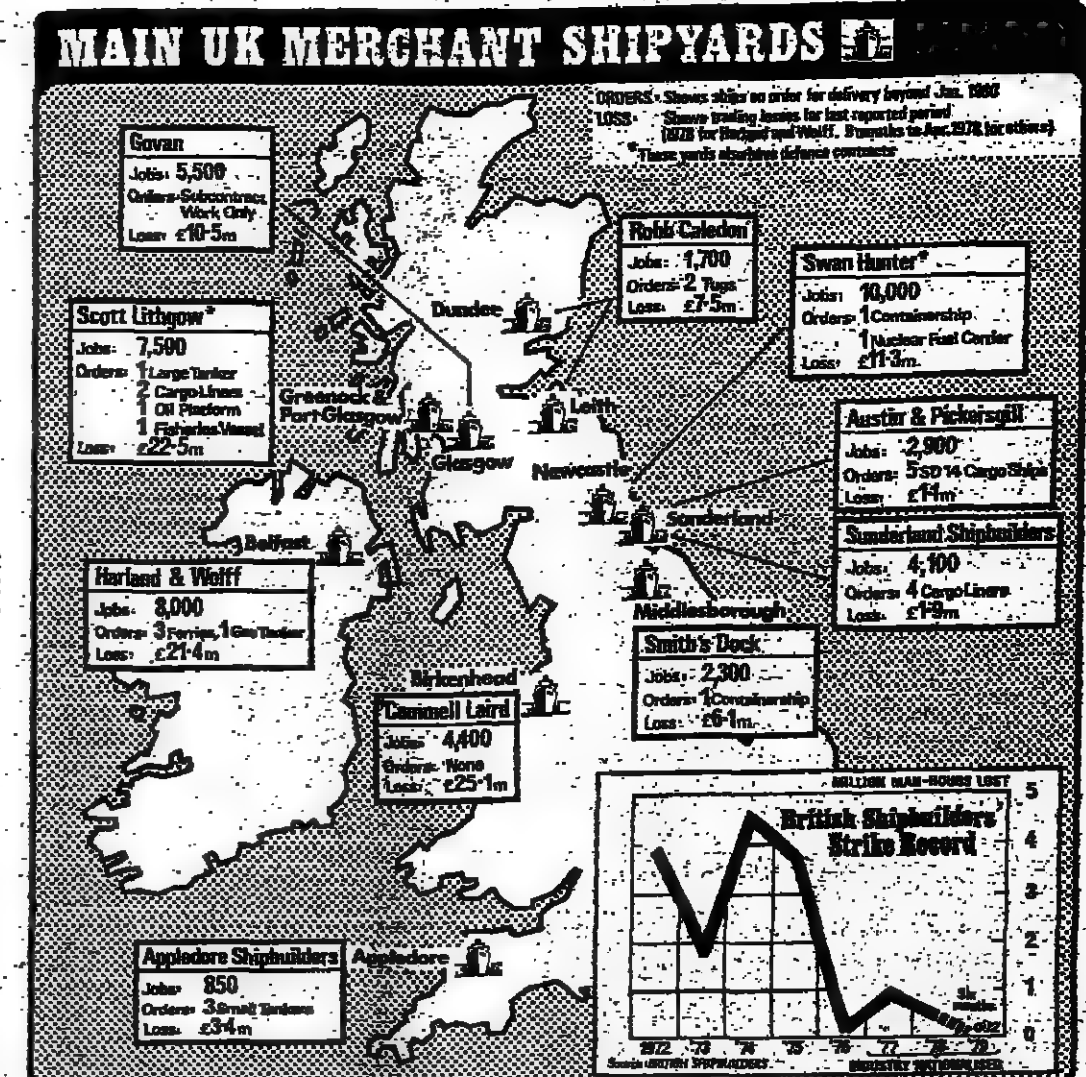
Running out of work

There is no doubt that in spite of the current aids, some yards will run out of work in the next six or nine months. Govan on the Clyde promises to be the first, later this summer, and the only question then is whether British Shipbuilders' new and apparently generous loss limits will allow it to hold on to workers when there is no work for them to do. The answer is that the loss limit will not permit this, at least not for more than a very short period when definite new contracts are in sight. BS will today report losses of around £45m for 1978-79, but the figure is expected to grow again this year.

There is no doubt that British Shipbuilders intends to retain Govan as a core yard of the future, but this does not automatically mean that it can avoid a period of care and maintenance in the next two years. It is important to note that redundancy costs in shipyards are financed by the Government outside of BS's profit and loss account, so the financial temptation to go for redundancies always exists.

The same goes for all the other major shipbuilding centres. There will be more redundancies at Cammell Laird, Scott Lithgow, Swan Hunter and probably at Austin and Pickersall and Sunderland Shipbuilders too, although the last two yards both have significant orders in the pipeline for built orders and cargo liners.

The more difficult part of the equation for British Shipbuilders is deciding which of the smaller and less efficient yards are permanently surplus



to requirement and must therefore be sacrificed in the interests of the industry as a whole.

British Shipbuilders has been and will remain coy about its shipping list of closures, partly because it seems to take the view that if a yard suddenly comes up with an order for itself, then it is not up to the corporation to redirect the work to a more cost-effective yard. It has never been quite clear how British Shipbuilders marries this consideration with its professed desire to be able to plan, on the basis of industrial logic, for a competitive future. It is easy to sympathise with BS executives about this problem, but the failure to take tough decisions and to execute their plans boldly has been their greatest shortcoming in the past two years. They have made much of the excuse of the Labour Government's political sensitivity about closures, so it remains to be seen whether there will be a change under the new administration.

A shopping list of closures does, of course, exist. It was circulated to Ministers late last year and it includes the Scott yard of Govan, Robb Caledon, the small Scott of Bowling yard of Scott Lithgow, Scott's Engineering, the North Sands yard of Sunderland (already effectively closed), one or two of Swan Hunter's six yards and possibly Doxford Shipbuilders.

A more difficult problem is posed by the larger Smith's Dock yard in Middlesbrough. This is a yard which has traditionally been in the top five of British Shipbuilders' unpublished productivity league table. But it is perhaps the most obsolete facility in the corporation.

Apart from slumping down to its "core" facilities, British Shipbuilders' plan is to step up productivity by persuading the unions to accept greater flexibility between trades and to push for more efficient work organisation and monitoring of progress. Productivity in most yards still needs to improve by around 50 per cent to match the best international levels.

This is a complex but vital question involving every aspect of British Shipbuilders' organisation. In terms of negotiation with the union leadership, great strides have been made, replacing 198 separate wage negotiations a year by a common agreement for the industry and a common pay anniversary. In the motor industry, BS is still wrestling with this problem after five years.

The results of this progress can be seen in the stoppage statistics shown in the graph. Shipbuilding has improved its fourth worst industry to twelfth, according to Government figures. There has also been a refreshing improvement in attitudes, illustrated by the determination of Govan workers to complete the £115m Polish ship order on time. They are now working through holidays to achieve this goal, even though they know that the end of the holidays would be the end of employment for many of them.

Productivity problem

Overall, however, the productivity graphs inside BS headquarters remain stubbornly static. One excuse is the lack of a steady flow of work, but BS and other high-cost developed countries must adapt to the fact that block orders of simple ships (of the Polish type), which offer most scope for high productivity, are going to be increasingly taken by the low-cost yards of Eastern Europe, leaving the completed one-off jobs for western Europe. High productivity is harder in these circumstances, but just as essential.

The same goes for quality of work, which is still suspect in the eyes of many shipowners. Equally important is the quality of management. There have been many justified criticisms about the failure of BS to respond promptly and efficiently to invitations to tender, not all of which can be blamed on the European Commission, and the marketing responsibilities between BS's geographical

divided central offices (one in Newcastle, one in London) and the yards have been unclear and damaging at times. Mr. Michael Casey, the senior executive of BS, is probably to blame for failing to cut through the bureaucratic strings which have threatened to strangle BS. But there is general commendation of the energy and determination with which he has proceeded on other questions, and his position now seems secure.

What British Shipbuilders has asked for and received is a period of clarity and stability in the financial framework under which it must operate. It is not even subject under Mr. Butler's formula, to the prospect of a cut-off date for aid.

This could turn out to be the real weakness of the Government's approach in that it fails to put overt pressure for reconstruction on British Shipbuilders, which could still face serious trade union problems in carrying out the urgently necessary changes.

The problem for British Shipbuilders, as the market for ships begins slowly to stir again in the next two years, is that it will be competing with the low-cost "new shipbuilding" countries like Korea, but more important, with a Japan which has slashed down its capacity by 35 per cent with impressive speed in order to be cost-effective when the upswing occurs. British Shipbuilders is still quoting prices for many ship types which are almost double Japanese bids. No amount of bickering about rival subsidy schemes can explain that.

Competition in export markets is going to be made even tougher by the continued strengthening of sterling.

If British Shipbuilders and Harland and Wolff cannot come to terms with these harsh realities in the next twelve months, the angel of death will claim not just the industry's firstborn, but its entire family. However, judging from the Government's present policy, the face of the angel will be that of the market place, not that of Sir Keith Joseph.

Moscow's costly ally

ONE-BY-ONE the Soviet Union's new-found allies are proving expensive and politically embarrassing. Vietnam has cost it money and, because of the boat people, prestige. Ethiopia has involved it in crushing the type of movement it claims to aid, the Eritrean liberation struggle. Now Afghanistan is proving the most poisoned chalice of all.

Sharing a 1,000-mile border with the Soviet Union, Afghanistan has long been important in Russian strategic thinking. Moscow fears an Islamic republic in Kabul might have repercussions on the Moslem minorities in Uzbekistan and Turkmenistan. It is concerned to limit the encroachment it sees—by China and Japan in the East through NATO in the West. Less important, given the realities of today, are the historical ambitions it once had for a warm-water port in the Indian Ocean.

Helping hand

Mr. Harold Macmillan recently said how Britain had fought three wars to keep the Russian bear out of Afghanistan, only to see it enter unnoticed one weekend last year. But the coup which brought the present pro-Soviet regime of Mr. Nur Mohammed Taraki to power came after two decades of growing Soviet influence.

Selling arms and lending a helping hand to the King and his successor, President Daoud, was one thing. It was another to be drawn, hand and arm into supporting the regime which overthrew Daoud and then finding themselves expected to support it against many of its own people.

The writ to Kabul has rarely been respected by such people as the Pathans in the north and the Baluchis in the south. But the present regime set out to overturn the traditional reform, to abolish the dowry system, and radically to change education.

Many of its reforms had long been urged by outside advisers, western and eastern, but it couched them in the rhetoric of socialism, offending traditional beliefs. Its record on human rights is bad. Even those who should have benefited from land reform appear not to have been won over.

The result has been the spread of insurrection. The country's second city, Herat in the West,

came under rebel control for three days in March following an army rout. Troops have rioted in the southern city of Kandahar and the road between Kabul and Pakistan has reportedly been cut by rebels three times this week.

The Soviet Union has sent in 4,000 advisers, about one-third of them working with the Afghan armed forces. It has also supplied planes, helicopters and armaments. But even so the regime is able to control little more than the main towns and main roads.

The rebels have been financing themselves from the opium trade. They have also been supported by their fellow tribesmen in Iran and Pakistan. But the Iranian authorities, who are predominantly Shiite Moslems in contrast to the mainly Sunni Afghans, appear to have been far less involved than the Pakistanis. There are now 120,000 Afghan refugees in Pakistan and they have been active in the recent fighting east of Kabul. Moreover, the Soviets are convinced that the Pakistanis have let the Chinese become involved in arming and encouraging the rebels.

Options

The relationship between China and Pakistan is a further reason why Moscow is determined not to see a regime friendly to Pakistan in office in Kabul. At present the opposition to the present regime is divided but it still presents a military threat sufficiently strong to force some unpleasant decisions on Moscow.

One option is for it to do nothing, trusting that if the Taraki regime falls any regime which follows will accept that the Soviets for all their current unpopularity in Afghanistan are too powerful to be neglected. This involves it in being seen to abandon an ally while the second option—taking over the war directly—is more unattractive given the fierce countryside and even fiercer rebels. A third possibility is that it might allow Mr. Taraki and the regime's strong man, Prime Minister Hafizullah Amin, to be replaced by the Parcham group (also pro-Soviet) which has been pursued and exiled in the past year. But this will hardly be seen as a change by the rebels and instead the only certainty is that the fighting will continue. Strategic gains, the Soviet Union is learning, have their drawbacks.

MEN AND MATTERS

Love in troubled waters

Anglo-French naval skirmishes are not quite a thing of the glorious "heart of oak" past. Last September, the 1,600 passengers on board the luxury P & O liner Oriana, returning from a two-week cruise to Greece, found themselves being pursued by a French gunboat.

The reason was that Captain Peter Love, the ship's master, in the best traditions of "the customer knows best," had steered shoreward in an attempt to give his passengers a closer view of the Britany coast.

He failed, alas, to reflect upon the French navy's sensibilities about traffic separation zones. In that part of the Channel, a few months earlier, the Amoco Cadiz supertanker had hit the rocks, causing the worst oil pollution incident in Europe's history.

Seeing the Oriana slip into a lane reserved for small coasters and fishing boats, the French admiralty sent out an intercepting vessel and reported the whole matter to the British Department of Trade.

As a result, Captain Love, or

rather his representative, will appear in court in Yeovil tomorrow charged with violating shipping regulations in the Channel. He faces a maximum fine of £1,000.

Captain Love cannot be personally, because he is cruising with P & O's new ship, the Sea Princess, in Australia.

Russian salad

That scarlet hue of the British tomato in your salad may be more appropriate than you imagine. It may well have been grown on Soviet soil. This year, Britain will be importing 16,000 tons of gardeners' peas, at a cost of nearly £400,000, from Novosibirsk in Moscow.

I chanced upon this odd growth area of East-West trade through a two-line item in the bulletin of the Moscow Narodny Bank. The trail led from there to Razmo and Company, the Russian-owned representatives of Novosibirsk, and thence to D. L. Coutts, a firm of horticultural merchants near Worthing, Sussex.

Would it not be possible to buy all our pea beans home? What about the bogs of Ireland, for example? These simple questions to Coutts, on behalf of countless gardeners who all unknowingly encourage their vegetables and flowers with Russian loam, received a dusty answer.

It seems that there is peat and pest. The Russian variety is especially suitable for mixing into branded compounds sold by such firms as Fisons.

The peat imports began six years ago, and after a slow germination, are now climbing like giant's runner beans.

Basque backfire

Bias Pinar, leader of Spain's neo-Fascist Fuerza Nueva (New Force) Party, may soon be in hot water with his blue-shirted supporters. It is being claimed that he has given unwitting support to Basque nationalism,

to which he and his fervent cohorts are bitterly hostile.

Pinar has accused Prime Minister Suarez of "traitorously" yielding to the ETA guerrillas. So when he was given, as the sole Fuerza Nueva representative in parliament, a seat on a commission created to study the Basque home rule agreement, his stance was predictable.

In the full tradition of Francoist centralism, Pinar systematically voted "No" to every single clause in the 48-article Statute of Basque autonomy. But he is also a lawyer, and could not resist making legalistic interventions. These have actually widened the scope of the future Basque government's powers.

Pinar is nicknamed by his followers the "Caudillo of the Tagus"—after Franco and the river running through his home town of Toledo. The frustrated Caudillo may now risk being ducked in his own river.

Lukes' lore

When chairman Billy Luke retires from Linduristics next Tuesday, he will celebrate having just turned 70 by starting to write the company's history. He certainly knows the facts, having been on the payroll for 52 years, on the board for 41, and managing director for 24.

It was Luke who took the decision in 1958 to diversify out of making lines thread. Now, the bulk of the group's earnings are from engineering, rubber and plastics. Since then, the shares have increased in value 27 times. Sales this year topped £100m. "But I shall be writing a lot about the original interests," says Luke.

"Barbours, for instance, has been making thread since the 18th century."

The headquarters of Linduristics is just across the road in Knightsbridge from Harrods, and Luke has never felt too close to the City. "I believe in making things. In my opinion, either engineers are

underpaid, or stockbrokers and bankers are grossly overpaid."

But in the British business world, Luke will be remembered not merely for trenchant views like these, but for having founded with Sir Nicholas Cayer the United Kingdom-South Africa Trade Association. He retired as president after 15 years, last April. "I love South Africa, although I totally disagree with its politics. Should we trade with them? Yes, we should trade with the Devil!"

Travel trouble

A British passport is becoming more precious by the minute. Labour troubles at Her Majesty's Stationery Office have almost halted the flow of new documents since last month. "We are keeping a close eye on our small stock," a Passport Office spokesman told me yesterday.

"But we have several plays to deal with the shortage," he said. These include sticking extra pages into passports which have no room for extra visas, and extending the ten-year life of documents which are about to expire.

The reserves are being cautiously limited to people who must urgently have passports valid for all countries—what the spokesman called "extraordinary purposes." But for the moment, only British visitors' passports are available for applicants wanting to go on holiday or make business trips out of the mill places.

Buyers' market

The petrol panic must be nearly over. In Hadleigh, Essex, a colleague noticed two adjacent garages, one offering free glasses, the other flaunting a notice which read: "Come back Access and Barclaycard holders. All is forgiven."

"I'm Jennifer. I'm 4. They said I'd never be able to speak."

You ought to see Jennifer today. She laughs, she cries, she speaks. Sometimes she speaks so much it seems she's trying to make up for lost time.

And of course, she walks, runs, plays hop-scotch, chases the house cat, and runs after the ball in the back garden of one of Dr. Barnardo's homes for mentally and physically handicapped children.

Yet when Jennifer was 2 years old, and had been written off, she would remain a human vegetable if she survives at all, the experts said, before she came to us.

Two years later, Jennifer is a miracle of recovery that has actually happened. But in order to help Jennifer face the world, we are now trying to help her learn how to write.

And after that, it will be sewing, needlework, knitting, pottery, or any of the other vocations that will give her a purpose for living.

All this will be done by our trained helpers, who are skilled in handling complicated and difficult cases like Jennifer's.

Our help has no limits, but our money does. Helped help Jennifer needs costs a lot, and every £ you give goes towards those less fortunate than you.

Won't you send what you can today? For only £2, one of our residential homes would get your seeds of knitting needles for children. For £10, we can feed a child for a whole year like this help so much. For £100, we can even more if you give us regularly. That way we can plan ahead. So every £ you give is worth £50. Not a penny is wasted, because we know it is your money we are using. And all our helpers feel exactly the same way.

Dr. Barnardo's run temporary relief homes, day care centres, residential centres and schools. Please send what you can today. Your sending will reach out to many children like Jennifer who could one day be earning their own livelihood and living instead of just existing.

Please send what you can to Mr. Nicholas Lowe, Appeals Director, Room 524, Dr. Barnardo's, Tanners Lane, Hford, Essex SS6 1QQ.



Where does Jennifer live? From here? Can you help?

And after that, it will be sewing, needlework, knitting, pottery, or any of the other vocations that will give her a purpose for living.

All this will be done by our trained helpers, who are skilled in handling complicated and difficult cases like Jennifer's.

Our help has no limits, but our money does. Helped help Jennifer needs costs a lot, and every £ you give goes towards those less fortunate than you.

Won't you send what you can today? For only £2, one of our residential homes would get your seeds of knitting needles for children. For £10, we can feed a child for a whole year like this help so much. For £100, we can even more if you give us regularly. That way we can plan ahead. So every £ you give is worth £50. Not a penny is wasted, because we know it is your money we are using. And all our helpers feel exactly the same way.

Dr. Barnardo's run temporary relief homes, day care centres, residential centres and schools. Please send what you can today. Your sending will reach out to many children like Jennifer who could one day be earning their own livelihood and living instead of just existing.

Spending industry

Dr. Barnardo's run temporary relief homes, day care centres, residential centres and schools. Please send what you can today. Your sending will reach out to many children like Jennifer who could one day be earning their own livelihood and living instead of just existing.

And after that, it will be sewing, needlework, knitting, pottery, or any of the other vocations that will give her a purpose for living.

All this will be done by our trained helpers, who are skilled in handling complicated and difficult cases like Jennifer's.

Our help has no limits, but our money does. Helped help Jennifer needs costs a lot, and every £ you give goes towards those less fortunate than you.

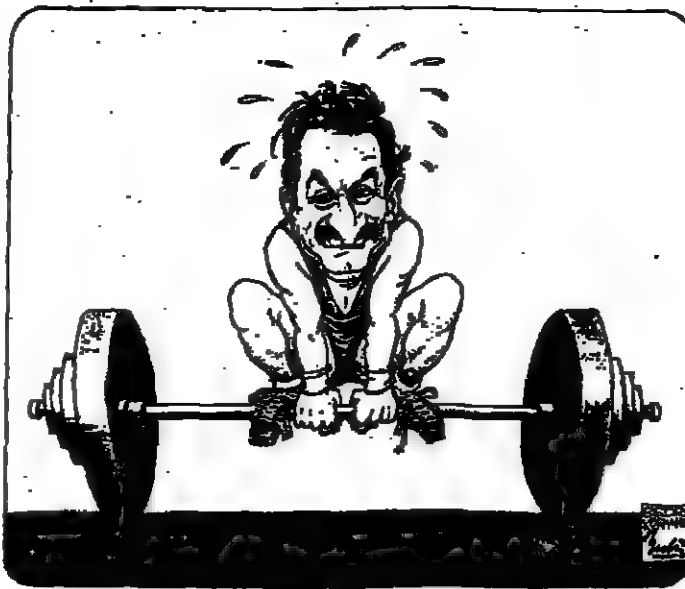
Won't you send what you can today? For only £2, one of our residential homes would get your seeds of knitting needles for children. For £10, we can feed a child for a whole year like this help so much. For £100, we can even more if you give us regularly. That way we can plan ahead. So every £ you give is worth £50. Not a penny is wasted, because we know it is your money we are using. And all our helpers feel exactly the same way.

Dr. Barnardo's run temporary relief homes, day care centres, residential centres and schools. Please send what you can today. Your sending will reach out to many children like Jennifer who could one day be earning their own livelihood and living instead of just existing.

Please send what you can to Mr. Nicholas Lowe, Appeals Director, Room 524, Dr. Barnardo's, Tanners Lane, Hford, Essex SS6 1QQ.

Turkey: sick man of Europe again

BY DAVID TONGE, recently in Turkey



Mr. Ecevit's struggle against the odds, as Milliyet's cartoonist, Bedri Korman, sees it.

HOW INSIGNIFICANT is the wealth and strength of Turkey compared with its natural advantages? A French traveller to the country wrote in 1710: 'Today the same observation is made with increasing anguish as NATO worries over its southern flank and Turkey's creditors wonder when the rescheduling of over half a billion dollars will be completed and whether Turkey will default again.'

The International Monetary Fund approved a new agreement with the country on July 19. It was an important step forward, but left the underlying problems untouched. The centuries-long understanding between Muslim sects in Turkey is breaking down. Its intricate coalition of races is being upset. Political violence is among the worst in the world. An average of 100 people are killed every month. In the southern town of Adana 807 people are on trial, 350 of them for their lives, in connection with killing, rapes, and looting which caused 111 deaths in Kahramanmaraş last December. A once-booming economy faces stagnation, 20 per cent unemployment and 60 per cent inflation.

Cooking fats and oils have long disappeared from the market. In some areas tractor drivers cannot find the fuel they need to gather the harvest. Diesel tankers have been hijacked by villagers. Those queuing at the petrol stations sit in service have to wait up to 24 hours. Local riots have been caused by the dearth of the bottled gas used for heating and cooking. Hospitals have been unable to find important medicines. Electricity and light-bulbs are in short supply. These failures in the normal economy have been mirrored in the flourishing of the black market. Deprivation among the people at large is accompanied by fortunes being made in

trading. Inequities are becoming more flagrant.

The decline of respect for the authorities is a simple fact of everyday life. On the most mundane level, few Turks have bothered to learn to heed the traffic lights introduced in recent years. There is a rigid ban on taking abroad foreign currency, but the visitor to Istanbul can see airport police accepting a folded note of 1,000 Turkish liras (\$12.50) to allow some merchant smuggle out a wad of some £700. Controls on imports are central to government economic policy, but one soon learns where to telephone for a bulldozer or for factory machinery to be delivered at one's door.

The police and main intelligence agency are partisan and ineffective. Only a handful of those managing the negotiations with the IMF know the rules of the outside world. There is no permanent cabinet secretariat. Ministers spend as much time dealing with party favours as with their ministries' business.

The politicians too have done little to prove that they can manage either the society or the economy; their criticism of each other is purely destructive.

NATO fears

The result is a crisis which threatens to shift the foundations of modern Turkey. The Turkish Communists consider the country one of the weakest links in what they call world imperialism. Some elements in NATO fear that it is moving towards neutralism. Others, believing that history can be reduced to the simplicity of dominoes, argue that, after Afghanistan and Iran, Turkey must come next. The western financial community, like western strategists, consider it too important to lose—yet too misdirected to be allowed to continue to be ruled in its present way.

The origins of the crisis are confused. Short-term explanations look at the profligacy of the former fractious coalitions of the conservative Mr. Süleyman Demirel; at the cost to Turkey of oil and of its invasion of Cyprus; at the effects of rising western protectionism against important Turkish exports such as textiles; and at the slackening remittances from emigrant workers from western Europe.

These explanations usually take in the failure of the present Government of Mr. Bülent Ecevit to come to grips with the problems it inherited. They stress the lack of a working majority in Parliament for the largest party, and the inadequacies of the state machinery. But all this is part and product of longer-term changes in Turkish society.

Village values have been challenged by internal migration and the spread of television. Islam has not developed as a major political force, but a rural society has been increasingly replaced by one of urban concentrations and urban norms. These norms, too, have been progressively challenged by peasants who have moved into the shanty towns, which now account for half the population of the major cities. Tensions were inevitable.

Yet even these explanations have tended to overlook the more fundamental issue—that throughout the long centuries of the history in Asia Minor the Turks have lived by standards which the West could only describe by contrasting them with its own.

The absolutism of the Sublime Porte baffled foreign observers. For generations land and office remained in the gift of the Sultan. There was no hereditary elite. The Sultanate and Caliphate survived until a republic emerged from the Turkish war

of independence after the first world war. A genuine parliamentary democracy did not emerge until the 1940s. Midwife to the birth of the Republic was General Mustafa Kemal, who later became known as Kemal Atatürk. His original philosophy and distortions of it have prevailed ever since.

Kemalism is a blend of autocracy, paternalistic reformism, and state capitalism. Atatürk's refusal to brook opposition and some of his policies in the political and economic fields have led him to be increasingly compared with Mussolini. Yet many of his reforms were intended ultimately to lead Turkey towards the forms of thought and methods of government of liberal Europe. The need for economic policies to promote social justice was regularly stressed, if not so regularly ensured. His backing of the state's economic role was never intended as a substitute for private initiative, but was a

response to the lack of such initiative.

Atatürk transferred power to a civil and military bureaucracy. The foreign merchant and industrial minorities were dispossessed and a local bourgeoisie created. As it grew in power it increasingly influenced the state, using it to obtain the protection of high tariff walls. Recent years have seen both the emergence of powerful holding companies, combining trading, industrial and financial houses, and of increasingly militant organised labour.

Mounting unemployment, poor work conditions and the rough lot of workers in smaller-scale industry and workshops have provided a fertile soil for radicalisation of the labour force. Strikes have been allowed since 1963.

Mounting tension between employer and employee has been preceded by a political polarisation. A liberal military

coup in 1960 was followed by the return to power by the ballot box of the conservative forces which the army had overthrown.

The result was the spread on the left of the belief that, given the largely traditionalist electorate, Turks would never vote into office a party committed to Kemalist reforms. In 1971 the commanders again intervened, this time to forestall an imminent radical coup.

But the armed forces could neither ensure a lasting reform of the constitution, nor impose their original candidate for President on parliament, nor keep blood off their hands. Since then tension has mounted and the state has been unable to meet the demands made on it. The bureaucracy has kept too many of its Ottoman practices, corruption has mounted, and efficiency has been eroded with the staffing and purging of ministries on purely political grounds.

Unrest is increasing among the civil servants themselves. Like other middle-class groups, they have seen their purchasing power and savings eaten into by inflation.

At the same time there has been mounting pressure from the West for the country to adopt western-style economic patterns. So far the model of economic development which Turkey has followed has been notable for its stress on self-reliance for the relative absence of foreign capital, and for its emphasis on import substitution.

Now the country's creditors are seeking to whittle down the role of the state and open Turkey to foreign investment, tourism and competition. They want a say over the planning process. The weakness of Turkey's planning mechanisms opens the door to such demands. Atatürk's Turkey, head of the NAF, this only appeals to a minority. The NAF mixes

not been forgotten.

Mr. Ecevit's 18 months in office have buried the messianic hopes he once aroused. If his party, the Republican People's Party, once the embodiment of Kemalism, had not been so weak in parliament and so hamstrung by the conservative independents in his coalition cabinet, he might have made the society more equitable.

As it is, Mr. Ecevit has become increasingly isolated, has begun to adopt the paternalist methods of early Kemalism and to show readiness to alienate his more active supporters.

The small parties and active organisations on the left—the Communist Party is illegal—ask question whether Kemalism has any relevance to modern Turkey, but it is the forces on the right which have been attracting more parliamentary support. The one party favouring an Islamic Republic in Turkey, the National Salvation Party, appears to have shot its bolt. More important are the Justice Party of Mr. Demirel and the militant Nationalist Action Party (NAP).

Aspirations

Both directly challenge the Kemalist pattern. The Justice Party tries to meet the aspirations of the middle peasantry and the emerging industrialist and trader. It thus sets out to limit the role of the state. Mr. Demirel has recently gone as far as challenging the role of the President—a retired admiral who represents the wishes of the military in the political super-structure.

Social and economic pressures may have gone beyond the point where Mr. Demirel—if he were returned to office—could hope to shape them. As for the alternative offered by his former coalition partner, Mr. Alparslan Türkeş, head of the NAF, this only appeals to a minority. The NAP mixes

nationalism, socialism and racism in a way which causes its opponents to compare it with the Nazis. It strongly rejects the comparison but the involvement of followers of the NAP and its activist organisations, the Idealist Hearths, in some of the worst terrorist outrages is indisputable.

The existing political parties have few answers to the problems, the civilian bureaucracy is proving a dead weight and the military caste has little to gain from turning against a system which it created, and which protects its entrenched privilege.

Shifts in the parliamentary arithmetic may provide temporary governments but the pattern of economic uncertainty, political tension and everyday squalor seems bound to worsen. It is not a situation for the Islamic mullahs to exploit—both the Caliphs and Atatürk ensured that the Turkish equivalents never were nor are likely to be a major political force. Indeed the parallel is not with Iran but with Italy—as it was in the 1930s.

But the probability is that, as in the past when it battled with the Ottoman Debt and the Capitulations, Turkey will find its own way forward. So far it has avoided the Latin American type of military take over and perhaps it will continue to do so.

If that is a straw to be grasped at, there are others: the aid now slowly flowing Turkey's way, and what the 18th century French traveller noticed—the country's natural advantages. The people are hard working, there is the basis for prosperous agriculture, and some raw materials. There is abundant lignite and hydro potential, and even some oil. But it is hard to see how long it will take before Turkish society has adapted to the changes which is undergoing.

Letters to the Editor

Unscrambling subsidies

From the Managing Director, City of London Building Society.
Sir—I read another of Mr. Brittan's excellent articles on July 19. Subsidies both to industry and to housing ought never to have reached the level which they have done and it is certainly reassuring to read that the Government is now unscrambling the industrial subsidies.

What I particularly like in Mr. Brittan's article is the reference to mobility when he writes: 'It would be more effective to remove obstacles and disincentives to people moving to areas and occupations where the jobs are; and the reestablishment of a market in rented accommodation would do far more good than all the other regional policies ever invented (the knock-down sale of council houses has done nothing to make available more rented homes).'

Mr. Brittan is hammering home a vital point in the housing problem. I have been writing for years in various journals and co-operating with other organisations in submissions to the Government that a start must be made to dismantle the current form of Rent Acts legislation which has done more harm to the housing stock of this country than any other factor, even the German bombing in the last war. Mobility is vital today and the absence of a 'third arm' of housing is a grave deterrent. Housing subsidies in the public sector have reached a horrifying level and I would doubt whether they are very much less than about £400 today. I hope that Mr. Michael Heseltine will now follow down the same path as Sir Keith Joseph.

A. G. C. Trollope,
34, London Wall, EC2.

Spending on industry

From Mr. D. Cockcroft.
Sir—Samuel Brittan is right in suggesting (Economic Viewpoint, July 19) that public spending on industry does little to redistribute resources towards the poor (except on a purely geographical basis). As a result, it is unlikely that Sir Keith Joseph's cuts in present industrial support programmes will do as much harm to the least well off in our society as will the combined efforts of Messrs Heseltine, Jenkin and Carlisle in attacking the public services.

What Sir Keith may do, however, is put the last nail in the coffin of Britain's industrial recovery. Many of the industrial policy programmes now being cut are, without doubt, inefficient in job-creation terms and have little long-term effect on industrial performance. What is really frightening about the present political climate, however, is the apparent lack of discrimination between valuable and worthless industrial assistance, and that which is disguised social expenditure. This seems to be combined with a fervent desire to distribute the results of cuts as largesse to companies which have shown themselves congenitally incapable of adjusting to the needs of the 1970s. In the hope that they will suddenly reverse 100 years of industrial decline.

Britain is now at an absolutely crucial stage in its industrial and economic development. Decisions which are taken over the next year or so will have a

disproportionately large long-term effect on employment, real incomes and the level and standard of social services for many years. At such a time, if this Government really continues to believe its own propaganda even to the extent of destroying the previous Government's initiatives in the fields of micro-electronics and office systems, it will be a bigger disaster to be laid at the door of present policies than even the abolition of the Prices and Incomes Board in 1970.

Britain's only chance of coming out of the 1980s better than it is going in is with a massive industrial policy based on industrial, not social criteria, backed up by an effective manpower policy on Scandinavian lines to do the social job in the labour market.

If things continue to go astray as they are going now, by the time we reach 1989 there will be a lot of people prepared to admit that it would have been safer to have got the 'Conservative backlash' over and done with a few years earlier, so that we had by now a Government which was prepared to take rational decisions in the best interests of the country as a whole.

David Cockcroft,
37, rue de la Fontenette,
Cologny,
1227, Geneva.

Regional aid

From Mr. L. Bushby.
Sir—We cannot help feeling that the argument over the future of regional aid for industry marks a watershed. No recent issue has divided the business community so cleanly. The inelegant U-turn of our largest industrialists says much more than glossy 'policy statements' ever can. There are three major points of divergence:

There is a difference between large, established, powerful corporations and the up-and-coming enterprises from which will emerge the plants of tomorrow. The former are well-geared to seek Government hand-outs—some have whole departments doing nothing else; the latter have neither the time nor the patience. We have shown that despite the fact that our sector employs two out of five members of the workforce, and pay much more corporation tax than big business (the tax which effectively pays for grants and subsidies), our members have done badly from hand-outs in the last decade. Little wonder that we support cuts in corporation tax and an end to state subsidies.

There is a division between businessmen who welcome the future as a new challenge and those who are frightened of it. Those who welcome the future are happy to see the fruits of unexpected success in business remain with those who have earned them. Those who are happier in the pattern of our recent industrial past and would foster the fortunes of existing and well-ried industrial sectors are only too happy to see the 'excess profits' (i.e. more than they can make!) taxed to produce the money which tops up the profit and loss accounts of obsolescent and complacently-managed companies.

There is a division among businessmen whatever the size of their company about their proper relationship with the state: are they individual

generators of wealth and employment, or are they merely components of an entire corporate state which does so? It is tempting to propose that more than one organisation which claims to represent British businessmen should pose for themselves the question: 'Ask us what your country will do for you, but what you can do for your country.'

The current debate on regional aid crystallises these deeply divergent points of view just as much as the most obvious division between businessmen who can and do receive the bounty of 'special development areas' and those elsewhere who only foot the bill. Fortunately, this division is far from clear-cut. There are many honourable businessmen in the assisted areas who recognise the fruits of the system from which they benefit: a system which serves the international industrial 'jet set' with few long-term liabilities to their adopted country.

We hope that the current debate will continue beyond the strict bounds of the impact of the welcome cuts which the Cabinet spokesman for smaller firms, Sir Keith Joseph has instituted.

Lee Bushby,
Association of Independent Businesses,
Europe House,
World Trade Centre, E1.

Third London airport

From Mr. D. Broome.

Sir—Western politicians and others still seem to believe against all the evidence that there is some 'technical fix' which will overcome the inevitable massive rise in the real and relative cost of energy as the oil shortage bites deeper. Many of us believe that failure to adjust to subsequent reallocation of economic activity may cause major economic, social and even political upheavals within the next decade.

The Government has made a good start by announcing an enhanced nuclear programme despite the environmental lobby. There are, however, several other areas where decisive action can be taken to stop spending on major works which now have a high risk of redundancy within the next 25 years. Examples can be taken from the road network, which certainly will be catering for very different traffic in the 21st century, and the rail network, which should now be set different priorities.

One major saving, however, would be to axe proposals for the third London Airport, which seems to be rolling along on the momentum of Roskill, which reported in another age. Its justification is on the growth of tourist traffic, accounting for some 60 per cent of passengers at present. If we add the costs of replacing the present fleet of jets, it is clear that the cost of tourist travel as a percentage of disposable income is going to rise steeply, cutting demand. It could be that the existing two airports will be in decline after 20 years—the time it will take for a greenfield airport to be fully on stream.

We are now all set for some expensive jousting between British Airports Authority and other advocates of a third airport, and the highly motivated defenders of various chosen sites for despoliation. Many millions of public and private

money are likely to be spent on this profitless exercise. The Government should call an immediate halt to this until a fully independent economic forecast has been commissioned on the whole subject including a careful risk analysis.

Derek H. Broome,
Potters End,
Merton, Ashby,
Northampton.

High technology ventures

From the Chairman, Mackintosh Consultants Co.

Sir—There are two surprising comments in your editorial of July 20 on 'Cutting down the National Enterprise Board' on which I would like to comment. Referring to the NEB's high technology ventures Immos (in microelectronics) and Nexos (in office systems), you state that these 'look dubious on technical and commercial grounds.' I could hardly disagree more strongly. In the case of Immos, my company was commissioned by the NEB to assist in assessing the original microelectronics business proposition which, I can assure you, was vetted most carefully in all of its key aspects, including the technological and commercial strategies. Whereas, like any other venture into high technology, the success of Immos obviously cannot be guaranteed, we remain convinced that it has an excellent chance of success and of contributing to what I hope will be a substantial growth in the total British capability in the most advanced forms of microcircuits.

As for Nexos, we do not have special visibility of its technical and commercial strategies but, in light of the high quality of the key Nexos executives already recruited, plus the substantial NEB funding, there must again be a good chance for success. Moreover, it needs to be remembered that in the office electronics sector, without doubt the most rapidly growing market sub-sector within the entire electronics and computer industry—the UK capability so far established is almost insignificant in comparison with our international competitors. The nation should therefore be grateful that the NEB, acting through Nexos, has the vision, the financial strength and (we must all hope) the competence to provide a national lead in this very important product sector.

You claim that if 'other countries support their electronics industries it doesn't mean that the UK has to follow suit.' The most basic fact about the electronics industry today is that—possibly more than any other—it is totally international in character; for example, so great is the importance of such factors as economies of scale, amortisation of high R and D costs, etc., that few electronic products can produce adequate corporate profits unless marketed vigorously on a global scale. It follows, therefore, that if Britain's competitors effectively subsidise their own national electronics industries (which they will undoubtedly continue to do on a massive scale), thus distorting free market forces and normal competitive conditions, we must either do the same or sit back and witness the inevitable decline of our national electronics capability.

I believe we should be grateful that NEB has the right policies in this sector and that Sir Keith Joseph and his Ministerial and Departmental colleagues have adopted a non-discriminatory attitude to Britain's fragile existence in the fiercely competitive and quite vital electronics sector.

Dr. L. M. Mackintosh,
33, Bruton Street, W1.

Inflation in Brazil

From the Earl of Dartmouth.

Sir—I refer to the interesting article by Mr. Hugh O'Shaughnessy in the survey on Brazilian banking and insurance (July 18). In this he makes a statement at the beginning of the article as follows: 'The level of inflation is today, a decade and a half after the military coup d'état of 1964, running at a rather higher figure than that ruling before the generals took over.'

This is incorrect. Mr. O'Shaughnessy estimates that 'the inflation may well be around or beyond 50 per cent this year.' The rate of inflation at the time of the Goulart Regime immediately prior to the coup d'état in 1964 was 95 per cent per annum.

Dartmouth
Oscar Wilsons (Holdings),
6th Floor,
Regina House,
5 Queen Street, ECA.

Shotton and Corby

From Mr. R. Davis.

Sir—From the letters in your issues of July 18 and 19 it is clear that there is a body of informed opinion which holds the view that the strategic reasons given for closing the Shotton and Corby works of British Steel Corporation are unsound.

BSC makes the basic error of equating high investment with high productivity. This is clearly not so—the good engineer and operator selects and designs the minimum cost capital equipment to achieve the product objective. Anything greater than this minimum is an unnecessary charge on the enterprise. It is then up to the plant management to meet the output, standard and price of product to match the market demand. In this John Summers at Shotton consistently succeeded. Even now, when this minimum investment has been denied them in steelmaking, the operators are achieving day-to-day results which cannot be bettered (e.g. low sulphur steel using high and variable sulphur coke).

BSC assumes that the economies of scale are such that all other considerations affecting plant size and plant autonomy are of no consequence. If Dr. Kay's suggestion that plants such as Shotton and Corby should be allowed to trade independently were implemented, it would very shortly show the poverty of the BSC argument. Two years ago, I offered a cold rolling contract to the Shotton works when there was more than adequate capacity available. The contract, without competition, was worth £400,000. Although the cold mill at Shotton was desperately short of work, the 'decision makers' in South Wales declined the order without any valid reason. This type of wholly uncommercial decision is, I am advised, far too common in BSC and is a major factor contributing to the decline in market share and customer confidence referred to by Dr. Kay.

R. W. Davis,
'Rosebank',
Townfield Lane, Mollington,
Cheshire.

Today's Events

British Shipbuilders' annual report.

Housing Corporation annual report.

Manpower Services Commission annual report.

Mr. Michael Heseltine, Environment Secretary, addresses Association of County Councils annual meeting, 86 Portland Place, W1.

PARLIAMENTARY BUSINESS

House of Commons: Debate on Southern Africa. Motions on various orders.

House of Lords: Various orders and motions. Gaming Amendment Bill, second reading. Short

debate on Red Indians. Short debate on Cyprus.

COMPANY MEETINGS

E. Austin, Winchester House, EC, 12, Beecham, Hotel International, W. 12. British and Commonwealth Shipping, 14 St. Mary Axe, EC, 12. Butterfield-Harvey, Cornuaugh Rooms, WC, 12. Caledonia Investments, 2 St. Mary Axe, EC, 3. Coalite, Savoy Hotel, W. 12. Continental and Industrial Trust, 120 Chesapeake, EC, 12. De La Rue, Cafe Royal, W. 11. Dunhill, Cafe Royal, W. 12. Hawks Investment Trust, Great Eastern Hotel, EC, 10. Readwell International, Queen's Hotel, Leeds, 12. 800 Group, Grosvenor House, W. 11. 30.

FROM 1st AUGUST

Best ever investment from Northern Rock!

10.75%

*15.36%

NEW 5 YEAR EXTRA INCOME SHARES

*Gross equivalent where basic rate income tax is paid at 30%

A new share producing exceptionally high interest for the 5-year investor. The rate may vary, but will be maintained at 2.00% above the prevailing Preference Share rate. Also available from Northern Rock are 2, 3 and 4 Year Term Accounts—all paying extra interest. Minimum investment in Extra Income Shares is £100, maximum £15,000 (joint accounts £30,000). Enquire now.

Northern Rock It's everyone's Building Society.

Member of the Building Societies Association. Authorised for Investment by Trustees. Branches and Agents throughout the U.K. Assets exceed £500 million.

CHIEF OFFICE: Northern Rock House, P.O. Box No. 2 Gosforth, Newcastle upon Tyne NE3 4PL Tel. 0632 857191.

City of London Office: Stonehouse, 128/140 Bishopsgate, EC2M 4HX. (01 247 6861). Scottish Office: 27 Castle Street, Edinburgh EH2 3DN (031 226 3401).

Journal of Interpersonal Violence 26(10)br/>© The Author(s) 2011
Reprints and permissions:
<http://www.sagepub.com/journalsPermissions.nav>

Wednesday July 25 1979

Executive Cars

Leadership is rare there are twelve ways to achieve it.

The current Saab range is the result of a sustained determined effort to produce a more reliable, safer, and highly efficient performance car. In short, a car Born to lead all others.

The twelve models in the Saab 99 and new 900 range, incorporate the excellent design and all the innovations that have always been the hallmark of Saab leadership.

The beautiful, aerodynamically efficient body is a result of persistent improvement which gives the whole range a natural elegance, a car with style—the car for a leader.

Inside, one recognises the luxurious, rational, yet comfortable design that has safety and efficiency in mind. The dashboard, both on the 99 and 900

models, has been developed jointly with Saab Aerospace division, to maximise driver control and visibility.

All models boast the exciting rally-proven two-litre engine, that has once again achieved outstanding success this year.

But not until your first test drive will you be truly aware of Saab's full power and unmatched roadholding characteristics, that respond to your every command.

All twelve models are refreshingly special—from the breath-taking 900 Turbo to the two door 99GL which is unquestionably the most impressive car you will find in its price range. But don't take our word for it—test drive one for yourself and experience a rare source of leadership.



SAAB
Born to lead

The Saab 99 range from £4,978.00.
The Saab 900 range from £6,117.35p.
All prices and specifications correct at time of going to press.
Prices include Seat Belts, Car Tax and VAT.

SAAB (Gt. Britain) Ltd. Saab House, Fieldhouse Lane,
Marlow, Bucks. SL7 1TX. Telephone: Marlow (06284) 6977

EXECUTIVE CARS II



The Mercedes-Benz 280C and 280CE coupes bear a family resemblance to the saloons from which they were derived but have long sloping front and rear windows and pillarless side windows



The Rover V8 saloon launched earlier this month offers air conditioning, sunshade roof and headlamp wash/wipe as standard fittings

Definitions of the term "executive car" vary but customers are willing to wait months for the one that they want. However, a variety of protocols is involved in the type of car a company will allow as a perk and the amount it can cost, creating a wide-ranging market that the manufacturers are willing to cater for.

Market is a guide to prosperity

By KENNETH GOODING, Motor Industry Correspondent

MOST MOTOR manufacturers have a fairly well-defined picture of what in their terms is the "executive" car market. They do not all agree because subjective judgment comes into the reckoning. But not many would argue with the following description. Executive cars have engines of between 2 and 3.5 litres. They are 14 to 15 ft long but it does not matter if they come in a two-box or three-box shape. In the UK prices start at around £4,500 at the bottom end of the executive market and end at around £10,000 at the top end.

For example, when a country has more than one indigenous car manufacturer which concentrates on the top end of the market, this shows up in the statistics. In Sweden, where the executive sector by our definition accounts for over 44 per cent of the total market and gives the country the lead among the industrialised European countries, both Volvo and Saab are heavily orientated towards this particular segment.

Similar

In West Germany there is a similar situation, with Mercedes and BMW spanning the executive and luxury sectors while Audi (part of Volkswagen of course) and Opel (part of General Motors) as well as Ford with the locally assembled Granada compete strongly in the executive part of the market with attractive new products. No wonder, given West Germany's high standard of living, that the

country accounts for nearly half of all the executive cars sold in Europe.

It is a country where the executive car manufacturer must do well if it expects to make any real impact in Europe as a whole. That is why West Germany provides such an important challenge for the Rover saloons, for example. BL's subsidiary Jaguar/Rover/Triumph (JRT) is concentrating great efforts on West Germany with the Rover range but it will take some time before the results show up in sales. JRT has got to give the German customer some very good reasons for buying a Rover when there are so many other cars in the same sector to choose from.

Good products do seem to expand the market and the prime example of this theory in practice is France. Executive cars took 15.8 per cent of the market in France in 1977 and captured over 1 per cent more the following year. The expansion has much to do with the introduction of the Renault 20s and 30s and the Citroën CX.

The reason the French executive car market is not bigger in spite of the reasonably high living standards in most of the country is that it shares with Italy and Denmark the distinction of having legislation which militates against cars with big engines.

In all three countries car tax climbs very steeply on cars with engines of two litres and above—getting progressively more penal as the engine size gets larger. The "gas guzzler" tax, European style, makes sense for countries without oil supplies of their own. But the problem is that these days manufacturers have to provide full ranges of cars—bigger ones too—if they wish to succeed internationally.

On the subject of market distortions, the UK sales of executive cars tend to be below the European average, at least in terms of the percentage of the total market accounted for.

The UK is the home of the company car and nine out of ten executive cars are purchased one way or another by corporations or partnerships. The system of having the car first as a "perk" and then as an essential element to attract people to a new job springs from the heavy and progressive personal taxation which has been a feature of life in Britain for many years past.

This company car demand has produced very stable—but very flat—demand for executive vehicles in the UK for the whole of the 1970s. During all those

years the executive sector has accounted for between 12 and 14 per cent of total new car sales. The lowest level was reached in 1976 when the percentage share dropped to 12.2. This could be "blamed" on the problems Jaguar/Rover/Triumph experienced with the launch of the new Rover saloons after phasing out the old range. Rover usually account for about one third of the UK executive car market and the fact that they were not available naturally led to the market shrinking.

Customers are apparently willing to wait for the executive car they want—at least for six months. But if the waiting list is nine months long you will probably lose them. And customers were willing to wait for the new Rover, "the car of the year," in 1976.

Company cars in the UK indicate a man's position in the corporate hierarchy and the fact that they now account for two thirds of the new car market in Britain distorts the executive sector in various ways.

For instance, there are those who would aspire to an executive car and would be willing to pay a disproportionately large part of their net income to acquire one. But the company provides them with a car with the job—not an executive car, but a car. Because of the hierarchical structure of the company car fleet the individual is not only not entitled to an executive-style car: there is no way he can add some of his own money to the corporation outlay so that he can have the car he really wants. Instead he often resorts to buying for his family a small car with very high specifications to supplement the use of the car the company has allocated.

Despite the UK executive car sector remaining at a steady 12 to 14 per cent of the total market, it is one which has attracted plenty of new competition in the past three years or so.

The reason has much to do with the previously mentioned fact that companies buy two out of three new cars—and company fleet managers prefer to take all their cars from the same manufacturer, if that is possible. So an executive car in a manufacturer's range can help with the capture of those important company fleet sales.

Apart from the progressive introduction of the Rover saloons, Ford has presented a new Granada, Audi has put a new "skin" on its products and offered a five-door Avant; BL has brought in the Princess 2-litre at the bottom end of the sector and Saab the 900 series at the top end. The

Alfa Romeo Alfa and Lancia Beta have arrived from Italy along with the Fiat 132. General Motors has made a big impact on the market with the Senator and Monza from Opel, its West German subsidiary, and versions wearing the Vauxhall badge called the Carlton and Royale.

The Japanese manufacturers, in particular Datsun, Toyota and Colt, have made their play in what must be more of a long-term strategy given that the image the Japanese chose to present in Britain for the past ten years was of being manufacturers of extremely reliable but inexpensive cars.

But now that they seem to face perhaps several more years of restrictions on shipments from Japan, the importers feel that the only way to continue growth is to move up the market so that each unit sold—and the shipment restrictions involve units, not value—brings higher income and more profit.

It will take some time before the ubiquitous corporate buyers in the UK will give favourable consideration to Japanese cars for their fleets. The majority of companies still insist on the fleet manager turning to UK-based manufacturers for their vehicles, even if the cars themselves are assembled abroad. Some companies, viewing the UK as part of the Common Market, will allow European-made cars to appear in the corporate fleet. Particularly in the executive car sector, individual executives are given an indication of the sum of money they can spend on a car and told they can have what they would like within that price limit—as long as it is a European car.

Companies also tend to frown on exotic cars for their executives and even tend to put sports cars into this category of "cars that are not quite right for the corporate image."

The UK Government has now

taken the first steps which might eventually lead to a major shake-up of the company car system because it has changed the emphasis from personal to indirect taxation while at the same time letting it be known that companies ought to begin dismantling their complicated "perks" machinery.

Endemic

This will certainly not be an overnight process and it could be that the company car system will remain endemic in UK industry.

In the immediate future there might be some trading down from the luxury sector to executive cars in the wake of the fuel crisis. Companies might well do this for cosmetic reasons. If the managing director wishes, in the light of the recent very steep rise in new car prices (20 per cent in six months on average) to trade down with his corporate fleet,

he would do well to show the way by (temporarily) giving up his luxury vehicle for one at the top of the executive class. The recently introduced Rover V8, is the type of car which could attract such a customer.

There seems little likelihood in the medium-term of the continuing oil crisis adversely affecting the executive car sector anywhere in Europe. To start with all the evidence shows that people would go without or give up a great many other things before reluctantly parting with their personal transport.

Then there is still a great deal of status to be gained from a car that is recognisably expensive. What really matters is the availability of fuel, not the cost of it, to people in the executive car class. And in the mean they can do just as many miles on a full tank in an executive-type car as they can in a small car with a full tank.

Prestige identity for European makers

THESE DAYS there are very few car manufacturers which do not have their own "executive" vehicles in the range. In Europe, for example, the Granada carries the banner for Ford, the Opel Rekord/Vauxhall Carlton and Opel Senator/Vauxhall Royale do the same thing for General Motors while the Renault 30s and Peugeot 604s provide examples from France.

It is fair to say, however, that there are a number of European manufacturers whose names are usually linked with "executive" motoring. This, in alphabetical order, is the way they line up.

Aston Martin of the UK. This group is based at Newport Pagnell, Bucks, and makes the V8, Vantage, Volante and Lagonda. There are 202 employees and the company is currently producing at the rate of about 285 cars a year. Annual turnover is about £8m.

Audi NSU. In 1989 Audi became part of Volkswagen of West Germany but qualifies for this list—like Jaguar Rover Triumph and Lancia later—because it retains a specific personality in the market place and its own identity.

The company employs 28,490 and in 1978 car production rose from 143,631 the previous year to 208,508. Sales rose 6.6 per cent in value terms from DM 4.23bn (£1.06bn) to DM 4.509bn (£1.13bn). Capital investment shot ahead, however, as the company worked towards introducing the new Audi 100, and increased by nearly 77 per cent from DM 156m to DM 276m (£39m to £69m). Output at the Ingolstadt plant is around 505 Audi 80s and 450 Audi 100s a day, while at Neckarsulm 324 Audi 100s a day are turned out. Some Audi 80 production takes place at the VW plant at Emden which also produces the VW Passat. Audi output is 206 a day.

BMW (Bayerische Motoren Werke). In 1978 this West German group sold all the 320,000 cars it produced compared with production and sales of 296,000 the previous year. Turnover was around DM 6bn (£1.5bn) against DM 5bn while

net profits emerged marginally better at around DM 125m (£31.25m). BMW has more than 30,000 employees in the car business (it also manufactures motor cycles and engines) and plants at Dingolfing and Munich.

More than half BMW's output is exported and it aims to spend around DM 4bn (£1bn) over the next three to four years to renew its model range and modernise production, adding a little to capacity at the same time. Capacity will probably rise to between 380,000 and 390,000 cars by 1985.

Jaguar Rover Triumph of the UK. This is the prestige car end of the state-owned BL group. It has 32,500 employees and an annual turnover of more than £1bn. Annual output is around 200,000 cars. Jaguar cars are assembled at the Browns Lane plant in Coventry, the main Triumph factory is at Canley, the Rover plant (which also makes Land Rovers and Range Rovers) is at Lode Lane, Coventry. One of the most significant investment projects within the BL group is the £280m programme to double output of both Land Rover and Range Rover four-wheel-drive vehicles by 1982.

Lancia of Italy. This is a subsidiary of Fiat, Italy's largest industrial group, but has its own identity and plants. There are 12,000 Lancia employees but they are also responsible for manufacturing Fiat's "Mini", the Autobianchi. Plants are in Turin, Civasco and Verrone. A smaller Lancia—of VW Golf/Ford Fiesta size and called the Delta—is to be launched in Italy in October and will be assembled at Lingotto, Fiat's oldest plant but one with a reputation for quality work.

Output of cars bearing the Lancia badge last year (not including the Autobianchi models) totalled 26,948 for the Italian market and 34,724 for export. The major export market is the UK, which took 12,390 Lancias last year. Over the past five years Lancia's investment programme has absorbed L188.5bn (£102m). Mercedes (Daimler-Benz) of West Germany. Daimler-Benz is

Europe's biggest truck producer. But last year it also turned out 393,203 cars, a slight decline from the 401,255 achieved in 1977. But in 1978 the group was affected by the metal workers' strike. Some 45 per cent of the cars produced were exported.

Daimler-Benz has started a DM 10bn (£2.6bn) investment programme to cover the period 1978 to 1983 which will help increase capacity to an annual 420,000 cars and 50,000 engines. It will also enable a site near the Bremen plant to be used for the manufacture of a "smaller" Mercedes. The other car plant is at Sindelfingen.

The group has joined with Steyr-Daimler-Puch of Austria (there is a 50:50 equity link between the two) to produce around 11,000 cross-country vehicles a year.

Daimler-Benz also made 243,160 trucks and commercial vehicles world-wide last year, to give it a total turnover of DM 21.95bn (around £7bn) and profits of DM 474m (£118.5m). There are 173,000 employees.

Porsche of West Germany. This is a privately-owned company unaffiliated to any other manufacturer. It has 10 shareholders, all members of the Porsche and Pisch families.

Production of the 928 and 911 models at Stuttgart-Zuffenhausen is around 15,000 a year, while in Neckarsulm, manufacturing 24,000 a year. The company employs about 5,000. The metal workers' dispute in Germany affected 1977-78 output. But turnover was up from DM 1bn to DM 1.12bn (£25m to £28m). Net profits fell from DM 17m to DM 10m (£4.25m to £2.5m). Exports represented 69 per cent of turnover.

Reliant Motors Group of the UK. This company qualifies for the list through its Scimitar sports saloon, although it also attacks the low-cost end of the car market with the three-wheel Robin and four-wheel Kitten. Slimmed down considerably since it was acquired three years ago by J. F. Nash Securities, the company produces about 8,000 vehicles a year and

has 1,800 employees at its Tamworth base. Turnover last year was £17.5m.

Rolls-Royce Motors. The non-nationalised part of the old Rolls-Royce business assembles the Silver Shadow and Camargue at Crewe as well as Bentley versions. The Corniche is produced in North London. Last year the group turned out 3,347 cars, but output should be increased a little in 1979. Employees in the car part of the business total around 5,500.

Rolls-Royce Motors also makes diesel engines and other products. In 1978 the car division contributed £35.5m of the total £182.5m turnover and £10m of the £18.5m trading profit.

Scania of Sweden. This is part of Saab-Scania, which makes aircraft and trucks (Scania) as well as passenger vehicles. The company has 13,500 employees. Last year car output fell 5 per cent to 22,500 units as the division ran down stocks of Saab 900 cars preparatory to the introduction next autumn of the 900 series. The 900's success will lead to a substantial production increase, the latest forecast is 85,000. About 48 per cent of output was exported last year.

The car division contributed SKr 3.7bn (£38m) of the group turnover, totalling SKr 11.64bn (£1.2bn) last year. The division employs around 11,000 and has its plant at Trollhattan.

Volvo of Sweden. Volvo is the largest industrial enterprise in Scandinavia, with manufacturing and sales facilities throughout the world. Turnover of the group was SKr 15bn (£1.5bn) in 1978. The Volvo Car Corporation contributed more than SKr 10bn (£1.0bn). During 1978 Volvo Car sold 278,000 vehicles and the production target for 1979 is 315,000 to 320,000. It has more than 22,000 employees. The main plants are at Torslanda and Kalmar in Sweden as well as Born in the Netherlands and Ghent in Belgium. Volvo also makes buses, trucks, ferry engines, marine and industrial engines and construction equipment.

Kenneth Gooding

PEOPLE'S VIEWS OF ROLLS-ROYCE OWNERS

Question: "Which of these statements apply to someone who has a new..."

	Rolls-Royce spring 1978	Rolls-Royce autumn 1978	Jaguar XJ %
In the pop-star/let-act tradition	26	41	27
Likes traditional British things	22	21	15
A person who loves fine cars	49	55	49
Uses it as a tax dodge	16	18	21
Patriotic in supporting British industry	19	13	9
Unnecessarily extravagant	18	15	14
Lucky to be able to afford one	63	65	64
Concerned with status and impressing others	27	34	31
A successful businessman	56	52	43
Uses more petrol than they ought	N/A	20	20
Doesn't care about less fortunate people	7	6	4
A member of the Establishment	11	12	6
Helping to keep Britain's workers in jobs	16	12	8
A self-made person	21	27	19
Runs it on company expenses	26	27	33
Appreciates craftsmanship	33	43	23

Source: MORI 1978.

FOR 32 YEARS OUR CUSTOMERS HAVE CUT OUT TAXATION.

(Now cut out our export expertise for yourself)

Please send me all the BL expert export information on how I can best HM Customs and Excise when I purchase a BL vehicle.

Name _____

Contact/Address _____

Tel. No. _____

Export destination _____

I am interested in

☐ Jaguar ☐ Rover

☐ Triumph ☐ MG

☐ Austin Morris range of vehicles (tick box applicable).

PICCADILLY TAX FREE SALES CENTRE

41-46 Piccadilly London W1V 0BD Tel: 01-734 6080 (24 hr Service)

مركز المبيعات



It has everything you could unreasonably demand.

When you pay over £9000 for a motor car, there are one or two things you should be able to take for granted.

The first is a measure of exclusivity.

What pleasure is there in owning a car that could be mistaken for one costing £2000 less than you paid.

The second is a fitting level of equipment to match the price.

Being asked to agonize over a list of options can be both tiresome and inappropriate.



On both counts, you'll find the new Vauxhall Royale saloon a refreshing change.

It costs £9428 and there isn't a cheaper version even if you wanted one.

There are just two options available: manual transmission at no additional cost (automatic transmission is standard) and air conditioning for a further £770.



Everything else you could possibly wish for is standard equipment.

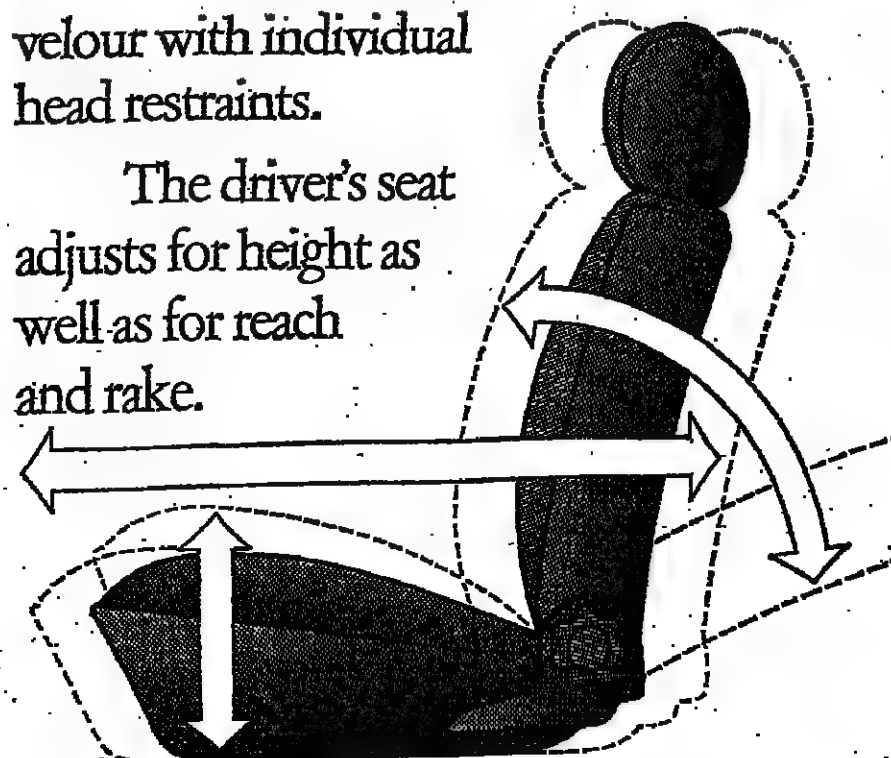
The engine is a 2.8 litre, six cylinder unit that carries the Royale to a top speed of 115 mph. (Manufacturer's figures.)

And because it develops maximum torque at just 3400 rpm, there is no sense of strain or urgency, even under hard acceleration.

Inside, the appointments are a Puritan's nightmare.

All seats are covered in crushed velour with individual head restraints.

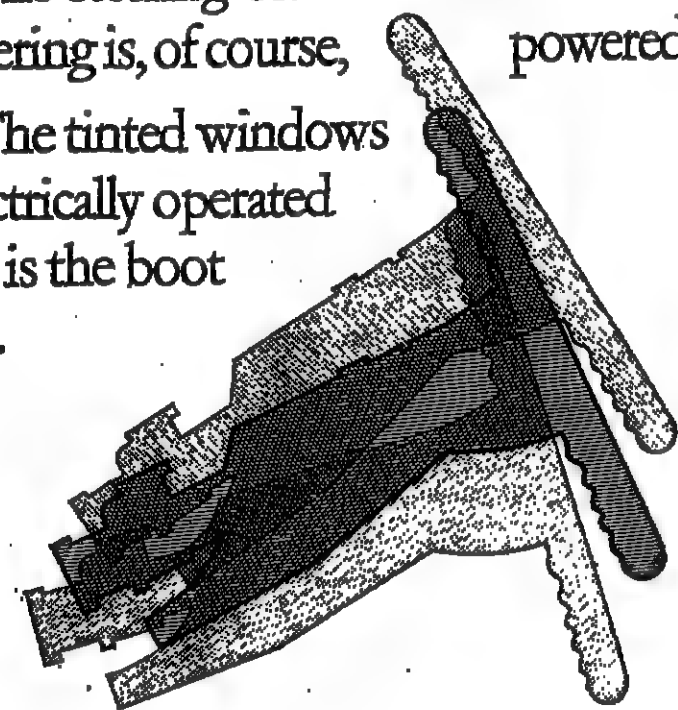
The driver's seat adjusts for height as well as for reach and rake.



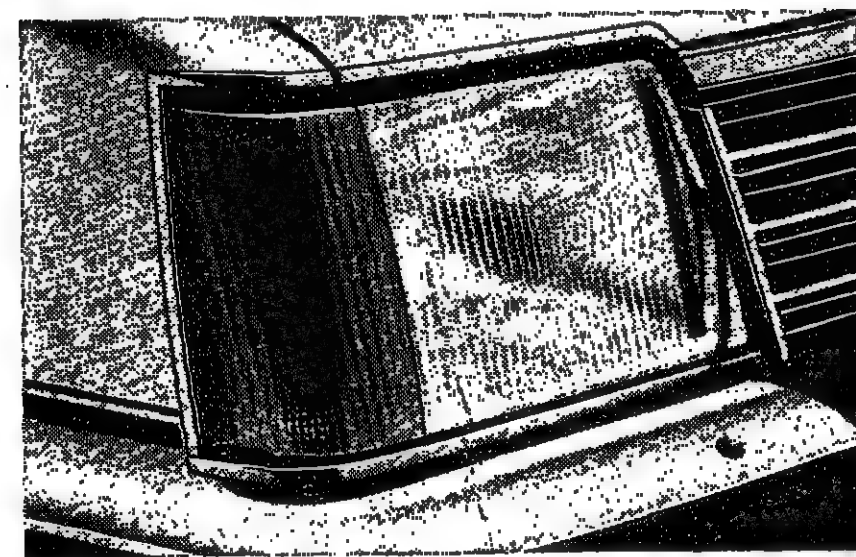
There is central locking for the doors, a steel sunroof and radio/stereo cassette player with three loudspeakers.

The steering column is tiltable and the steering is, of course, powered.

The tinted windows are electrically operated and so is the boot release.



While a brilliantly engineered suspension and superbly aerodynamic body shape make the Royale uncannily quiet at any speed.



Outside, you'll find the same meticulous attention to detail and finish.

Double-skinned metallic paint, alloy wheels and a headlamp wash/wipe system.

And styling that is a welcome relief from the Pan-European designs that are becoming daily more common.

Ask your nearest Vauxhall dealer to give you a demonstration run in a Royale.

We think you'll find it's one of the best appointed luxury cars on the road.

VAUXHALL  
ROYALE

ROYALE SALOON £9428, COUPÉ £9776. PRICES CORRECT AT TIME OF GOING TO PRESS, INCLUDE CAR TAX AND VAT. DELIVERY AND NUMBER PLATES EXTRA.

EXECUTIVE CARS IV

The status battle



A selection of the Avis Rent-a-Car luxury fleet: three Mercedes-Benz models, a Rolls-Royce Silver Shadow and a Porsche 928

Rented luxury— for £700 a week

INCREASED PETROL cost seems to have had little or no long-lasting effect on the hire of luxury cars, which are in the main, fuel-thirsty. For costs of fuel, or for that matter the cost of the hire of the vehicle, are not the central criteria upon which a driver decides whether or not to rent a luxury car—which can cost up to £886 a week.

Rather, he or she wants reliability—and the kudos attached to driving a car such as a Porsche, Mercedes Benz, Rolls-Royce, Jaguar or BMW. As one company in the business said: "A businessman cannot afford the time for the car to break down, and besides he wants the prestige of driving a luxury car."

More customers in this sector of the market are business people—either foreigners on a short business trip to the UK or UK businessmen who either want a luxury car for special appointments or whose own company cars are being repaired or who are waiting delivery of a new car.

But there are slight differences in custom between companies in this sector of the market—all of whom tend to be London-oriented. Guy Salmon Car Rentals claims to be more into the UK business market than its competitors, Avis, Hertz and Swan National Rental.

Avis Rent a Car, part of the multinational Norton Simon Group which bought it from ITT in 1977, has more of an international clientele than its competitors because of the group's international companies. It also caters for the "show business" end of the market, offering a chauffeur service, while Hertz sees its market more in the middle range of luxury car customers. It used to run Daimlers but the supply of new cars was inadequate, and until last year, when it introduced the Mercedes Benz, its "top car" was the Granada GLE.

The number of car rental companies in this sector of the business is relatively small. This is because the business needs a high capital outlay—during the past 12 months costs of new luxury cars have increased rapidly—and because there is

an emphasis in the business on fast turnover of vehicles. Therefore a company needs good outlets for used vehicles which often have less than 14,000 miles on the clock.

Guy Salmon has been in the executive car rental business for about 10 years. The company—a 21 main dealer—started to hire cars as a service to existing customers when their cars were off the road.

Mr. Richard Salmon, managing director of Guy Salmon Car Rentals, then saw a gap in the market between the massive international car rental corporations and the much smaller, local operators who comprise about 70 per cent of the total UK rental market.

Faster

Three years ago the south-west London-based company opened a new base in the West End of London to provide it with a faster access to London customers. It expanded its fleet of luxury cars and offered a 365-days-a-year, 12-hours-a-day service.

The company's first luxury cars for hire were the Rover 2000 and the Jaguar XJ6. Now its fleet comprises about 250 cars (out of a total of 500 hire cars) and includes the BMW, Mercedes-Benz, Saab Turbo, Porsche 924 and Range Rover. Guy Salmon also supplies smaller rental companies with luxury cars. They market the cars in Guy Salmon's name. In effect this is sub-contracting with Guy Salmon wholesaling car rental.

In its early days the company found that in order to compete with the ordinary rental companies it had to have a free delivery and collection service, particularly as its headquarters were outside central London. This has continued, even with the West End base now operational.

Turnover of cars is rapid—about every nine to 10 months. Richard Salmon said: "People will not tolerate high mileage cars. If a man is renting a Jaguar Series 3 at about £330 a week, he does not want a tired-looking car. But basically the customer is not interested in the price—he is prepared to pay for good service."

But there is perhaps a slight uncertainty over the market—the VAT increases, the price of luxury cars rising steeply and the Government examining the issue of company cars and perks. This is why companies in the business are increasingly emphasising the rapid turnover of vehicles, which lessens the blow of depreciation.

However, although the Budget has altered tax allowances on leased cars, there is no restriction on the amounts claimed by customers against tax on short-term rental.

Richard Salmon has seen companies getting into difficulties because, faced with rising purchase costs, they have held on to cars with resulting heavy losses. It is also a market which is increasingly difficult to enter because of the high purchase costs. Also, without a good relationship with dealers car rental companies find it difficult to obtain luxury models, for which there are waiting lists of up to two years.

Because of the value of their cars, car rental companies have special insurance schemes. Guy Salmon operates its own comprehensive insurance policy which gives third party cover up to £1m. Avis Rent a Car's Collision Damage Waiver, which costs £6.50 a day (the normal fleet insurance cover costs £1.50) only entails customer liability of the first £500 of damage. As one company said: "Some customers do not realise the full extent of costs involved if they have an accident with a luxury car." Because of the value of the cars most companies operate a 30 years minimum age limit.

Avis Rent a Car, whose luxury car fleet includes the Porsche 928, Rolls-Royce Corniche, Mercedes-Benz 560SL and Jaguar XJ6, has more international custom than its competitors, having sister company offices on the continent. It is the market leader and offers a range of services, including that of the chauffeur-drive car. Its £500,000-plus luxury car fleet comprises about 50 cars, excluding the Granada range. These, despite it being a multi-branch company, are only generally available in the London area.

Lisa Wood

MANY COMPANIES complain that they waste an inordinate amount of top management time wrangling over the car allocation policy and the make, type and even the colour of the car finally provided. So says Mrs. Helen Murlis, executive remuneration adviser to the British Institute of Management (BIM), discussing the BIM's latest survey into "Business Cars."

The BIM has been monitoring the subject for four years and now suggests that nearly two-thirds of all new cars registered in the UK are either owned or financed by companies for their directors, managers, sales and service staff. That means more than 1m new cars will be purchased by companies this year. Take a conservative average price of £3,500 for each and that implies companies will spend £3.5bn in 1979 on passenger vehicles—more than 2 per cent of the UK's Gross Domestic Product.

No wonder Mrs. Murlis maintains: "Much of the British motor industry is geared to the company car market and model ranges are designed as much to correlate to company status hierarchies as they are to the needs of different kinds of private motorist."

It is no secret why the UK is the place where the company car flourishes. Cars have been one of the most effective ways of adding to an employee's income without making substantial additions to his tax burden. The BIM reckons that a company car has been worth somewhere between £1,500 and £2,000 a year if depreciation, tax, insurance and maintenance are taken into account.

As Mrs. Murlis points out: "If an executive moves to a job where he will get a car for the first time, the company is effectively giving him either a tax-free bonus of whatever he gets

for the car he owned or the use of a second car for his wife and family. In either case there is a material improvement in his standard of living."

Nearly every company covered by the BIM's recent surveys provided cars. The only exceptions were companies without a sales force which are either overseas-owned and have not yet adopted UK practice for their managers or those that prefer to provide financial assistance alone.

Car allocation is a contentious issue and decisions on allocation policy are, therefore, normally made at Board level unless the company is large enough to warrant the existence of a company car policy committee. Even then the committee will mainly consist of Board members or very senior executives, with the managing director being the final arbiter in any dispute.

Senior

The accompanying table shows that it is only at senior management level and above that status is the predominant reason for car allocation. Below this level companies usually stipulate an annual business travel requirement which is commonly between 5,000 and 10,000 miles.

At director and senior management level companies are much more likely to offer executives a free choice of car within a specified price range than lower down the scale. They may specify in addition that the car is British or at least Common Market made—given that so many so-called British cars are now assembled in Europe.

Of the 471 companies which helped the BIM with its investigations, only a handful admitted that they were currently acquiring imported cars. But the evidence suggests that already smaller companies, which have shorter decision lines and react faster to change, are buying or leasing more and more foreign cars, especially from the EEC countries.

According to Industrial Market Research (IMR), nearly half the company car market is accounted for by companies with fleets of fewer than 25 cars. IMR comments: "Just as the penetration of foreign car sales to private individuals has been high, so too the potential for foreign cars is greatest in those companies where individual preference (typically of senior executives) weighs most heavily."

In other words the small company sector is, of all corporate customers, the most favourably disposed towards the foreign car. Importers can also take heart from the fact that what could be described as the "status syndrome" re-emerged at the salesman level in many companies.

In an analysis of the BIM report designed to help motor traders, Apin Philimore Associates points out that the Ford Cortina is so far the most popular fleet choice (it is seen by the market to lead the field on discounts, residual values, maintenance and operating costs generally) that it has become the "recognised" company car.

"This is one of the influences that has prompted smaller companies in particular to allow staff to opt for alternative (and mainly foreign) cars. Employees prefer not to have neighbours automatically assuming that they run a 'company car'. The trend can be expected to intensify," states Apin Philimore.

Two factors could change the company car market in the future—oil prices and the Government's determination to switch the emphasis from direct (income) to indirect (VAT) taxation.

Status plays such a part in the selection of company cars that the business market for big cars for directors is likely to ride above the effects of escalating oil prices. The BIM report states, for example: "We know of managers who would forego a salary increase before having the type of car reduced."

Mrs. Murlis suggests that maybe smaller, less thrifty but more luxuriously fitted cars will be of more interest in future than the large impressive management car of the early 1970s.

"It is almost always difficult to reduce the size of quality of car available, and where rapidly rising car prices make this necessary. Many managers feel sure that their neighbours will wonder what has happened if their new car doesn't carry

CAR ALLOCATION CRITERIA FOR MANAGERS

	(% companies)				
	Chairman/managing directors	Board members	Senior managers	Middle managers	Junior managers
Status only	79	77	51	22	12
Salary level only	1	3	2	1	1
A combination of status and salary level	7	9	18	11	7
Amount of business travel required only	2	2	7	28	49
Amount of business travel required plus status	8	8	16	24	17
Amount of business travel required plus salary level	—	—	1	5	4
Amount of business travel required plus status and salary level	3	3	6	9	10

Sample Size 430 380 431 328 322

Taken from BIM's Management Survey Report "Business Cars" by M. Woodmansey.

the same status implications as the last one when it appears in their drive for the first time.

"Even if they are not in fact worried about their own status they may feel that it looks as though the company is not doing so well," she says.

Given that the strength of the UK business car market is unique thanks to the way successive tax and pay policies have converted the car into a product which needs, whenever possible, to be financed out of pre-tax income, the about-face in tax policy must surely weaken the demand for company cars.

That might not be such a bad thing. As Mrs. Murlis comments (about the rapid development of the company car market during the past four years): "Whether this is desirable or whether companies should be able, as they are in Europe and the U.S., to pay salaries which allow the individual manager to finance a reasonable car of his own is a subject which has yet to get the full discussion it may deserve."

The Conservative Society has no doubts. "A recent pamphlet insisted: 'The company car system is highly inequitable. It is probably emphasising and

maintaining social divisions and doing so in a manner that is insidious because it is not obvious. It is leading to inefficiency in uses of resources, notably fuel."

The Society argues that as most UK citizens are taxpayers and company cars attract tax relief it can be argued that almost everyone in the country contributes towards company cars. But only the middle-class higher income groups actually benefit. Therefore the lower-income groups are effectively subsidising car ownership among the richer members of the community.

The same lower income groups are also those which suffer most from the problems being created in a car-oriented society. Facilities are becoming less easy to reach other than by car at the same time as the means of reaching them other than by car are being withdrawn.

"Business Cars." From the British Institute of Management £27.50.

"Company Cars—Policy and Practice in the Small Company Sector," Industrial Market Research Ltd., 17 Buckingham Gate, London SW1E 6LN.

K.G.

EXECUTIVE CAR SALES IN EUROPE

	1977		1978	
	Volume	Percentage of car sales	Volume	Percentage of car sales
Austria	85,275	21.35	92,994	21.47
Belgium	85,275	20.20	95,186	23.51
Denmark	17,940	12.06	17,785	13.35
Finland	14,222	16.75	14,485	18.12
France	297,582	15.66	324,065	16.68
Germany	748,707	38.27	826,387	31.02
Italy	119,813	9.93	129,470	9.36
Netherlands	81,330	14.74	92,780	16.07
Norway	47,456	32.67	28,334	37.05
Portugal	4,676	6.69	4,814	10.80
Sweden	108,215	44.33	88,043	44.13
Switzerland	85,542	31.72	68,763	35.32
UK	175,148	12.3	223,588	14.9

Source: Jaguar Rover Triumph

To buy or to lease

THE DECISION whether to lease or to buy is primarily a financial one. And financiers ought to be able to approach it rationally, and therefore should come up with the right answer. But do they? A considerable number produce a facile answer—based on an inadequate comprehension of the matters which should enter into their considerations.

Others, understanding the problem more clearly, feel like nothing so much as weeping with rage and frustration at the difficulty of achieving a totally rational solution: and weeping is understandable, because the question the more like an onion it seems. Strip away one layer and one meets another tear-jerking one beneath.

The easiest way to begin the journey towards a solution is to think oneself into the shoes of a lessor. Leasing is primarily a financial transaction, and one therefore needs to see it in the financial terms in which the lessor sees it. This is the viewpoint shown in the table, and the explanation of that table is as follows.

We assume that the lessor acquires a car costing £8,000, which he is going to lease out for a three-year term at a quarterly rent of £517 payable in advance. At the end of that period, the lessor intends to sell the car into the second-hand

market, and the proceeds he anticipates receiving are £4,000. The lessor is acutely aware of the cost of the funds he needs to borrow in order to carry out this transaction—he estimates that he will be paying 4 per cent per quarter, equivalent to almost exactly 17 per cent per annum.

The lessor borrows £8,000 and purchases the car. Immediately, he has done so, he receives the first rental instalment, which he uses to reduce his borrowing to £7,483. It is on this figure that he is charged interest at the end of the first quarter. This, and each succeeding quarter's interest, charge, increases the level of his borrowings, and each rental instalment enables him to reduce that level. The table is thus a simple cash flow statement dealing in isolation with this one lease.

But the lessor must also build into his cash flow projections the tax claims and liabilities flowing from his ownership of the asset, and from the income and expense referable to it. And here we meet some rather surprising figures. The withdrawal of the 100 per cent first-year allowances for leased cars in the Finance Bill does not necessarily penalise lessors of cars costing £8,000 or less as heavily as might be supposed. (Over that figure there is an

upper limit of £2,000 per annum of annual allowances.)

If our lessor were selling off one of his earlier leased cars, whose tax value was nil because of the first-year allowance he had had, then the whole proceeds of the sale would normally be taxable. But he can set these proceeds (let us assume them to be £4,000), against the cost of the new £8,000 car now being acquired and avoid the charge to tax. Further, he can also set a 25 per cent annual allowance for tax purposes on the balance of the new car's cost. The effect of these two factors is that he effectively gets tax reliefs of £5,000 on purchasing a car costing £8,000.

Compute

One can then compute the lessor's tax position for each of his accounting periods during the lease term. (For convenience we have assumed that the lease commenced at the beginning of an accounting year, and that the tax payable date falls nine months later. Exactly when tax becomes payable or repayable is important for cash flow purposes.)

At the end of the lease term, having sold the car, the lessor's positive cash flow is £1,633. He is able to accumulate this sum at interest for nine months before needing to use it to pay off his final tax liability.

At this point he is shown as having broken even on the whole transaction: and the reader may be wondering what is its relevance to his own lease/buy decision. To answer that question we need to hypothesise that the potential lessee has calculated that if he has the use of the car concerned, he can generate exactly £2,068 of profit per annum from using it. If he leases it, he is therefore in a position of perfect equilibrium, with his profits exactly meeting his rental obligations. (His tax position is also in balance on the figures illustrated. Had the car cost more than £8,000, a part of his rentals would not be deductible under the Finance Bill proposals.)

If on the other hand, he buys the car, borrowing £8,000 to do so at 4 per cent per quarter, he might be able to generate exactly the same tax repayment and liability as the lessor from his ownership, and again he would be in a state of equilibrium in cash terms, since his profits exactly liquidate his borrowings.

His decision whether to lease

LESSOR'S TAX POSITION

	Year 1 (£1,633)	Year 2 (£1,633)	Year 3 (£1,633)
Rental income	1,633	1,633	1,633
Interest expense	1,144	900	455
Capital allowance	5,000	750	(1,750)
Tax (profit) or loss	4,078	(416)	(3,332)
Tax liability at 52 per cent	2,121	218	1,753
Tax (repayment)	(2,119)		

or to buy must therefore be based on the extent to which he can subsume the lessor's position as illustrated. For instance, given the other facts, rentals of £517 equate to borrowing costs of 4 per cent per quarter, to what rate does his potential rent equate, and can he borrow more cheaply?

Then there are tax questions: Does he have taxable profits such that he can obtain a repayment on £5,078 in year 1; and if so is 52 per cent his effective rate? Or is he a small company at 42 per cent, or a company paying only advance corporation tax, not mainstream? What would be the timing of his tax repayment and liabilities?

And these are only the first two sets of questions. The onus has another skin beneath on which are questions about our potential purchaser's ability to borrow the funds he would need in the way he would need them—and whether the cost might increase or decrease in the three-year term. Below that is a layer of questions about maintenance, servicing and all sorts of other things which motorists understand and financiers are reputed not to.

Once started along this decision path, it is difficult to know where to stop; but that is not an excuse for failing to take the path at all.

Then there are tax questions: does he have taxable profits such that he can obtain a repayment on £5,078 in year 1; and if so is 52 per cent his effective rate? Or is he a small company at 42 per cent, or a company paying only advance corporation tax, not mainstream? What would be the timing of his tax repayment and liabilities?

And these are only the first two sets of questions. The onus has another skin beneath on which are questions about our potential purchaser's ability to borrow the funds he would need in the way he would need them—and whether the cost might increase or decrease in the three-year term. Below that is a layer of questions about maintenance, servicing and all sorts of other things which motorists understand and financiers are reputed not to.

Once started along this decision path, it is difficult to know where to stop; but that is not an excuse for failing to take the path at all.

David Wainman

"I wouldn't own a fleet of company cars even if you paid me."

Jackie Stewart's shrewd, intelligent thinking steered him to many a success in his racing career.

And now he uses that very same ingenuity in the driving seat of his many business interests.

So to a canny Scot like him vehicle leasing makes sound economic sense.

Valuable capital can be released for more productive needs. There are cash flow and tax advantages too.

At Hertz our staff will tailor a lease to suit all your company requirements. Backed by buying muscle that ensures you the car of your choice at the best possible deal.

When you choose the Hertz full maintenance plan, the daily burdens of fleet management will be placed on our shoulders. With all running costs met for you at the garage of your choice.

That way you receive just one fully inclusive invoice per month,

even petrol and insurance can be built in.

There's also a 1 year unlimited mileage plan.

And if you would like all the benefits of leasing with Hertz today but wish to keep your existing fleet, simply sell it to us and we'll lease it back.

As Jackie Stewart says, "Leasing with Hertz will be better for you in the long run."

Send coupon to:
HERTZ CAR LEASING, Central Way, Farnham Trading Estate, TW14 0RX or telephone 01-751 3472 and we'll put you in touch with your local Hertz Sales Manager.

Please tell me all about how Hertz Car Leasing can help me:

Name _____

Position _____

Address _____

Tel _____ Present Fleet Size _____

مكتبة النجف

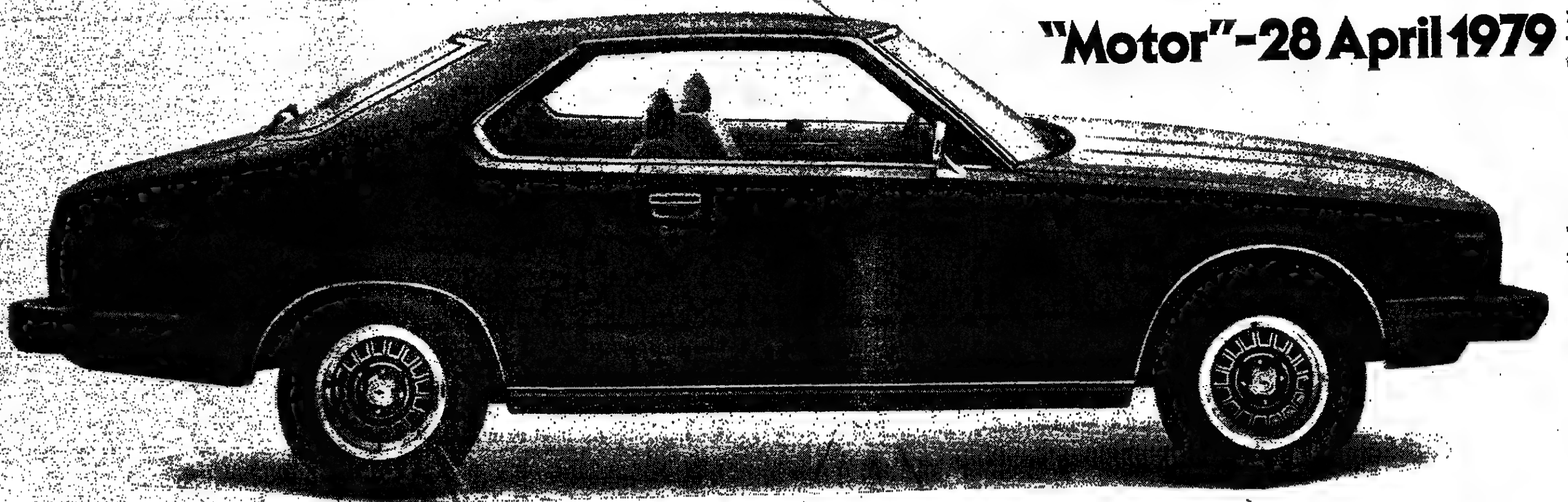
MARLEY VEHICLE LEASING

As good on the road as it is on paper

For full details of contract hire and leasing contact your nearest office: Riverhead, Sevenoaks, Kent. Tel: Sevenoaks (0732) 55255 or Lifford Road, Briston, Burton-on-Trent, Staffs. Tel: Burton-under-Needwood 2541

“With fuel injection and variable-weight power steering, Datsun’s lavishly-equipped sporting coupé is one of the most sophisticated Japanese cars we’ve tested. It’s certainly the best Datsun yet...”

“Motor”-28 April 1979



“Motor” magazine has summed it up. The new Datsun Skyline 240K Coupé is a high performance thoroughbred of superb engineering and quality.

It is undoubtedly a car to match the exacting requirements of the enthusiast driver and the motorist for whom creature comforts are a priority.

To get you going it has a 2.4 litre engine with electronic ignition and Bosch electronic fuel injection—so it’s strong on performance with 127 bhp at your command.

It also has progressive power steering by ZF to automatically adjust the assistance you need, more in town, less on the open road.

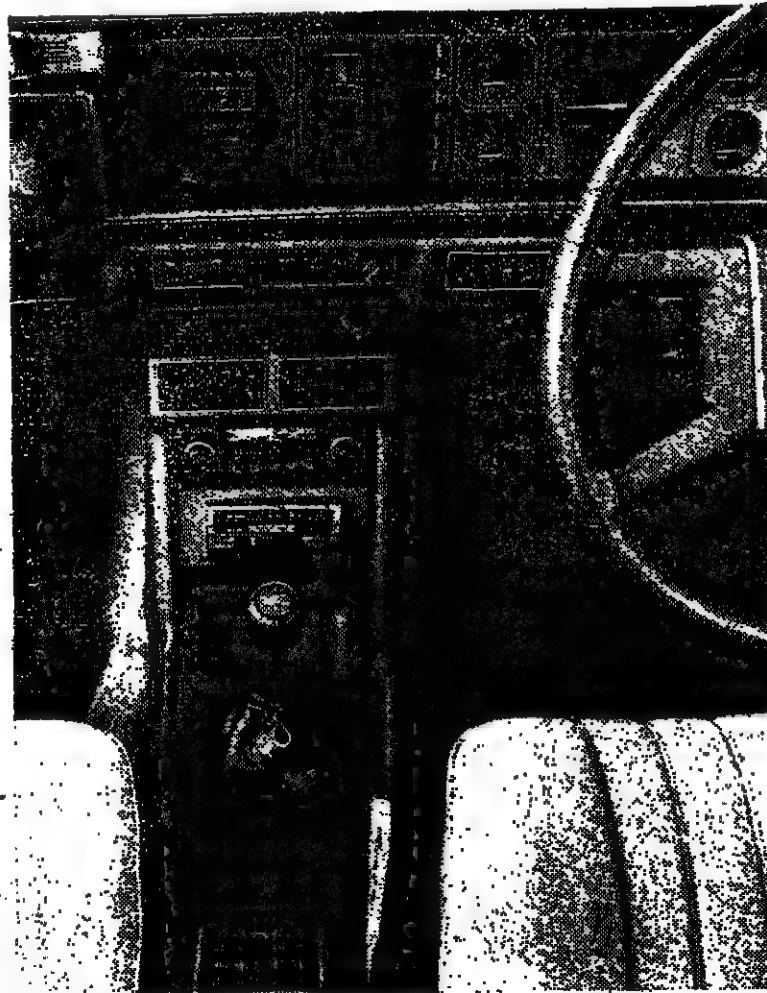
For superior road holding, the Skyline has the sophistication of independent suspension on all four wheels, and for safe stopping, there’s a duplicated anti-skid system with power assisted disc brakes all round. On special alloy wheels, of course.

For the transmission you have a choice—a close-ratio 5-speed gearbox or, at extra cost, Nissan’s silky smooth automatic.

On the dashboard you’ll find a comprehensive array of instruments from rev counter to power boost meter, and check lights for nine functions from door ajar to stop lamp monitor.

All in all, the Skyline Coupé has just about everything the enthusiast could ask for in a high performance car. And then it has a host of luxury touches—electrically operated windows that wind down completely to give you a pillarless coupé; thickly upholstered cloth seats with adjustable lumbar support for the driver; an

extremely accurate quartz digital clock; two waveband push-button radio and auto-reverse stereo cassette; and power jet



headlamp washers, wash/wipe system for the rear window (heated, of course), interior release for the boot with anti-theft override, locking illuminated glovebox, vanity mirror with safety cover, tinted glass with laminated windscreen, and much, much more.

On some other performance coupés, many of these items of equipment will cost you extra.

A lot extra.

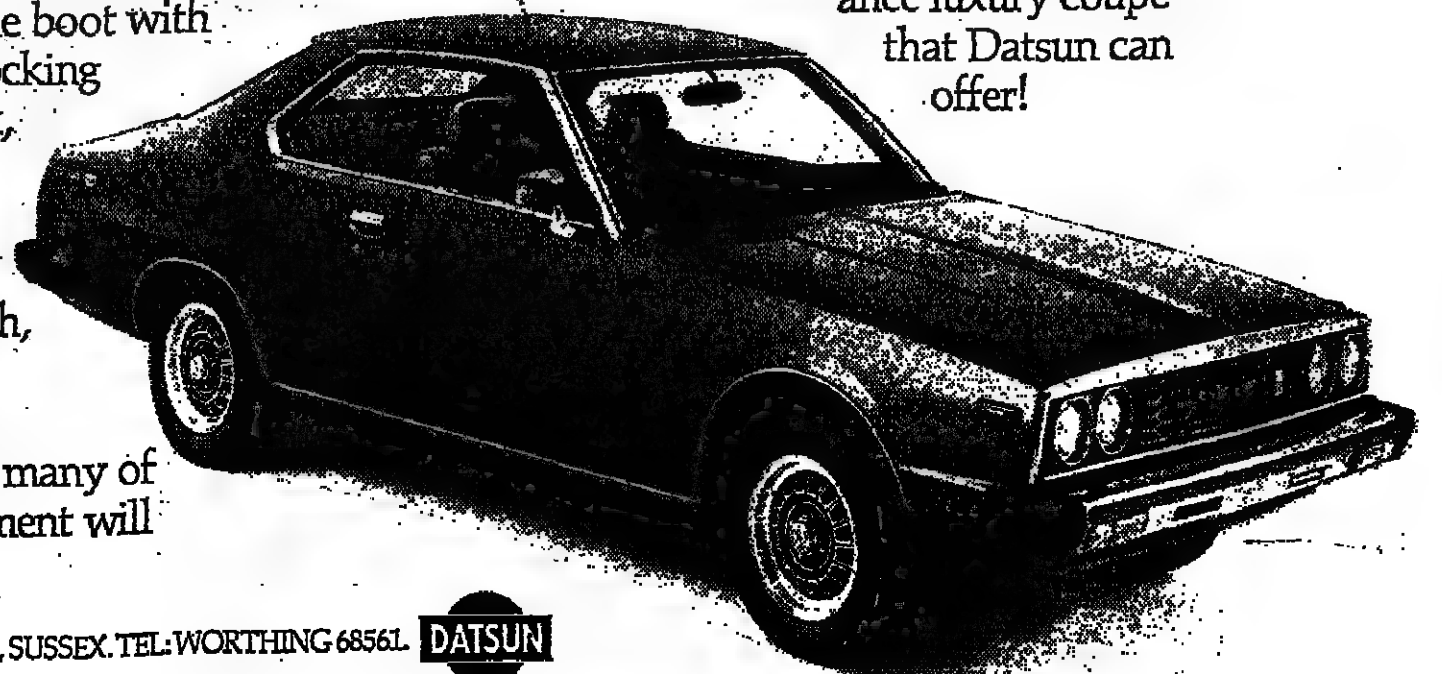
For example, other manufacturers will ask you to pay up to £1,040 for electric windows, tinted glass, alloy wheels and headlamp cleaner—but that still doesn’t give you a radio, stereo cassette, rear window wash/wipe and quite a lot more.

On other models, headlamp cleaner, power steering, alloy wheels and tinted glass will cost you up to £1,033 extra—and you’re still short of electric windows, rear window wash/wipe, radio, stereo cassette and so on.

With the new Skyline, you also have the individual “plus” of Datsun’s top reputation for quality and reliability, confirmed by the recent independent report that Datsun have fewer warranty claims than any other car.

The new Datsun Skyline 240K Coupé is at your dealer’s showroom now, priced at just £6,761, including special car tax, V.A.T., inertia reel seat belts and door mirror.

And that’s remarkable value for the most technically advanced, high performance luxury coupé that Datsun can offer!



DATSUN U.K. LIMITED, DATSUN HOUSE, NEW ROAD, WORTHING, SUSSEX. TEL: WORTHING 68561.

DATSUN

Higher profits in luxury sector

THE LUXURY car sector accounts for no more than 2 per cent of total sales in any European country. But as the cars cost in UK terms from around £10,000 each upwards, this is a highly profitable end of the market in which to operate—particularly as most of the manufacturers are short of capacity and have not been able to meet demand for some years.

A prime example of the kind of figures which can be achieved has been supplied by Porsche. In the current (1979) model year 10 of its 18 UK dealers will each chalk up a car sales turnover of more than £1m. Yet only 1,500 cars will be going through the entire network.

In Britain the luxury sector is different from the broad middle-range in that large and even middle-sized corporations do not buy many cars of this type. They are considered to be too ostentatious.

But Rolls-Royce Motors for one would argue that successful British companies should make sure their chairman or chief executive has one of its vehicles at his disposal. Rolls suggests that it is rather good for the purchasing company's image. And there is also the fact that the Rolls is likely to appreciate in price and would last a lot longer than other vehicles.

Pleased

Of course Rolls represents the peak of the luxury car market and really does not have any competitors. In fact all the other luxury car manufacturers seem very pleased that Rolls is up there on the pinnacle producing just a few cars a year.

Some marketing men take the view that Rolls is not really taking trade away from any other manufacturer. The argument is that the thought processes of the potential Rolls buyer go something like this. "Should I buy another country house? Should I put a heart-shaped swimming pool in the grounds of this house? Should I buy another race-horse? Or should I get a Rolls?"

Rolls itself has to worry about its customers. For example, in recent years there have been

suggestions that its cars were bought only by pop stars, property developers and others beyond the pale who in some way had got-rich-quick.

So the company had some research carried out by MORI and found the results somewhat heartening. As the accompanying table shows, the majority of people questioned—and it was a large sample of 4,000 people over 15 years old with various backgrounds spread throughout the UK in 238 constituencies—believed that the Rolls owner was lucky to be able to afford one and was a person who loves fine cars. According to the survey, people are more likely to assume the Rolls owner is a successful businessman than someone in the pop-star jet-set tradition.

In fact dealers do say that many of the customers for luxury class cars actually pay cash. Not cheque-cash but the cash that comes in rolls of tenners. It certainly helps to be in one of those cash-over-the-counter businesses if you are trying to save £11,000 to £12,000 for a car.

The typical British customer for a luxury car is the owner of a small or medium-sized business. He decides what car the company is going to give the chairman and managing director and, as he is chairman and managing director, he gets no argument from the rest of the board. In marketing terms the purchasing decision is made by the man who is to drive the car.

This explains why so many showrooms selling luxury cars have very large mirrors everywhere. The idea is to let the prospective customer see himself at the wheel of this grand machine, let him try it on like a suit. Once he has seen himself as others will see him when he is on the road he can't resist buying the thing—or so the theory goes.

Private purchasers—those that actually pay for their cars out of taxed income from their own deep pockets—are very few and far between in Britain and are likely to become extinct now that VAT has shot up to 15

per cent. Although changes elsewhere in the UK tax structure will leave the highly paid with more disposable income, the majority are company men with company cars and likely to remain that way.

But in the main, UK demand for high-priced, high-powered cars has been booming both this year and last—with the important exception of those cars with large engines.

Consequently supply is far behind demand. Britain's domestic producer of luxury cars, Jaguar Rover Triumph, could have a real winner in its Series 3 Jaguar, which is only subtly different from its predecessor. (To start with there is more headroom at the back because JRT acknowledges that many of these cars are chauffeur-driven.)

Confident

But a new paint plant has been playing up and so the waiting list for the new Jaguars has lengthened and lengthened.

The Jaguar remains the car other luxury producers envy. For example, both Mercedes and BMW of West Germany are confident they can match the engineering attributes of the Jaguar—but not at anywhere near the price JRT charges.

Mercedes owns the company importing its cars to the UK but even so the allocation is far below the numbers which could be sold.

Some 7,000 Mercedes a year are shipped to the UK and that figure has not changed much in recent times—not even when attractive newcomers are added to the range. The current example is the T estate car. Any sales of the estate will count against the year's allocation.

The marketing men at Mercedes UK reckon they could sell between 11,000 and 12,000 cars a year if they could get them.

What makes the UK an outstanding market for both Mercedes and its West German rival BMW is that it takes a relatively high number of the up-market and expensive cars.

This is particularly important when the factory is considering

model mixes. For instance, six out of ten of the big Mercedes saloons sold in the U.S. have diesel engines against only 8 per cent in Britain. That puts the UK in a vital position as far as some of the large petrol-engined models are concerned.

BMW is in the process of taking over its own UK distribution business (including the motor cycles) from Tozer Kemsley and Milbourn (Holdings) on a friendly basis and on January 1, 1980, the change will be formalised.

Last year 10,506 BMW cars were sold in Britain but the allocation has been increased in 1979 so that the total should reach around 13,000. At the half-year stage the company was on target, having sold nearly 9,000. The allocation should be steadily increased and BMW estimates that by 1985 around 20,000 of its cars will be registered in Britain annually.

One noticeable trend in the UK in the past year or so has been the gradual fall in the market share of luxury cars with big engines—those with six or eight cylinders. Some people believe that the days of these big-engined cars are numbered because of the various pressures, not the least a general feeling that it is somehow anti-social to own or operate a "gas-guzzling" vehicle.

Manufacturers also have to meet stringent Corporate Average Fuel Economy (CAFE) regulations in the U.S.—by far the most important export market for most of the luxury car makers. In France, Germany and the UK the car makers have given undertakings of one sort or another that they will improve the fuel economy of the vehicles they put on the road in the mid-1980s.

As a result, the manufacturers have been turning their attention to how they might in future offer slightly smaller, less-thirsty cars while at the same time giving the customers the standard of luxury and equipment they demand.

K.G.



The Jaguar XJ 125.3 Series 3: the waiting lists grow longer

Smaller cars keep spacious image

EVENTS AT petrol stations throughout the world have so far had no clear effect on new car buying patterns. So far this year, Ford, the market leader in Britain, has enjoyed unprecedented demand for its big Granada, and the Cortina class is the biggest growth area in the new car market.

Despite this, most forecasters are predicting a change. The trend will not be seen with any distinction until later this year because July is traditionally a poor sales month and the stimulation created by the introduction of the new August registration suffix gives an artificial picture.

It will be from September onwards that any change will be identified. Most are expecting it to be towards smaller, more economical cars. If this is the case, companies can only expect to be caught up in the cost-price exercise of going down-market.

But the executive cosseted by a large luxury car need have no fear at the prospect of driving a smaller one. Most medium-sized cars, particularly at the top end of the model ranges, have full instrumentation, cloth trim and carpets. They have

items like heated rear windows, cigarette lighter and exterior mirror. Many have radios as standard, some offer sun roofs, and most have automatic-gear-box options.

Today's models are quiet, smooth and remarkably spacious. They stop very well indeed, and they can be cornered quickly. Really, there is no design aspect in which they are significantly inferior to bigger models. Furthermore, they are a lot cheaper, and, thanks to the events after 1975, remarkably economical to fuel.

The only area that the driver may find more difficult to accept is one of prestige. A Fiesta is not the same as a Granada, even if it does have a Ghia badge.

Car makers have tackled the problem of giving mass-produced cars a bit of class in a variety of ways. Some have gone for style, some for performance, and some for luxury. And some lucky makers do not even have to try too hard—they have prestige names to carry them through.

Many, like Alfa Romeo, BMW and Lancia, have proud motor racing backgrounds. Others like Audi, Peugeot and Volvo have relied on their quality

reputations—and a fair amount of image-building advertising.

Scrutiny

Citroën's reputation was earned by a radical design philosophy that gave it a clean sheet of paper when creating each new model. To what degree this autonomy can remain within the Peugeot fold is the subject of close scrutiny whenever a new model appears. Is it a Citroën, or is it a Peugeot? The new Visa is an amalgam.

All of these will be joined soon by one of the most respected makers in the world, Daimler-Benz, whose small W170 is now well advanced. It will add a new dimension to the luxury medium car market.

The most notable absentees are the British and Japanese. BL's Triumph Dolomite should fall into this category. What it is, though, is a well appointed saloon with old world charm (the advanced engine of the Sprint apart).

And the Japanese, while making a name for themselves as purveyors of worthy and reliable cars for the mass market, have so far not won a prestige tag.

CONTINUED ON NEXT PAGE

The ones that will in time be Honda (through its engineering excellence and motor cycle racing history) and Mitsubishi (Cobra), solidly made by a company with an aircraft building background.

All these quality manufacturers have models in the small and medium luxury sector, most costing below the old company car tax threshold of £5,000. The sporting Italians, Alfa Romeo and Lancia, have coupes as well as saloons but others rely on saloon derivatives. Just what they have that distinguishes them from the rest is difficult to say—in some cases it is nothing more than a badge.

The other volume makers, aside from the problem of being without a name in three ways, they produce more distinctive and stylish bodies, on existing saloon car components, they give those saloons all possible extras, or they make them go faster. Significantly, most are priced somewhere between £4,000 and the £5,000 that embraces the image makers.

Ford has been at the forefront of all approaches. In the coupe class in Britain, there

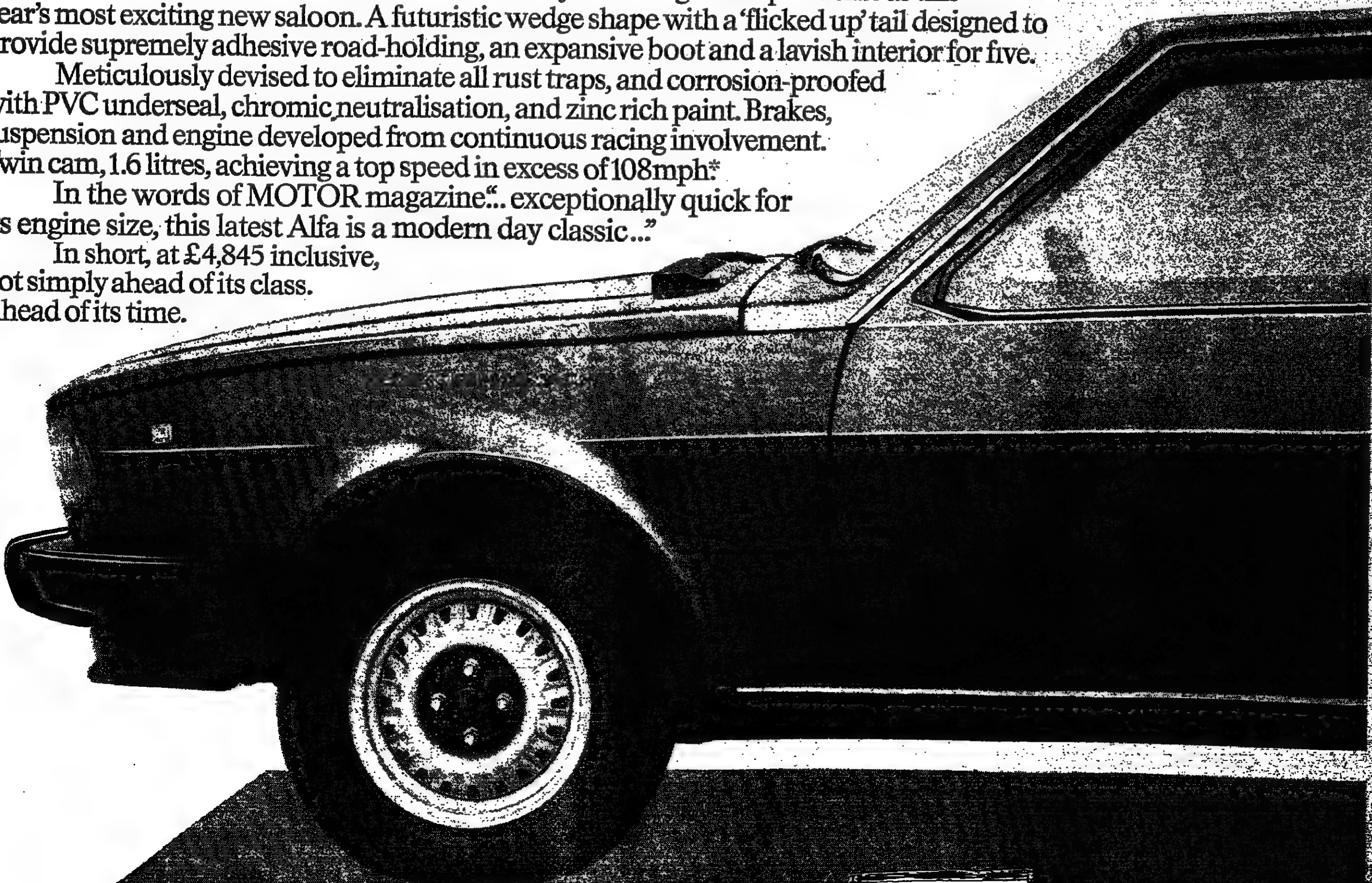
We've made you an Alfa

The new Alfa Romeo Giulietta. Labelled by motoring correspondents as this year's most exciting new saloon. A futuristic wedge shape with a 'flicked up' tail designed to provide supremely adhesive road-holding, an expansive boot and a lavish interior for five.

Meticulously devised to eliminate all rust traps, and corrosion-proofed with PVC underseal, chromic neutralisation, and zinc rich paint. Brakes, suspension and engine developed from continuous racing involvement. Twin cam, 1.6 litres, achieving a top speed in excess of 108mph*.

In the words of MOTOR magazine "...exceptionally quick for its engine size, this latest Alfa is a modern day classic..."

In short, at £4,845 inclusive, not simply ahead of its class. Ahead of its time.



هكزامن الأكل

[illegible]

One of the most powerful forces driving the change is the growing realization that the current models are not working. "There is a small number of specialists making conversions to standard models and an even smaller number of consultants and academics. Either way, they have been instrumental in proving to most people and companies wanting a more sophisticated plan to invest that the current investment offer is more or less a waste of money," says a senior manager. "Business seems to be holding up well despite the energy crisis—and yet it is because the oil price is dropping that the oil companies are the best export markets."

One of the simplest conversions is to install a sunshine roof. "This is a factor" option with no cost, says the director of the solar energy project in Connecticut. "There are no fewer than 45 models avail-

ally in the UK that can be fitted with a sun roof in the factory. The new running gear has been fitted to new and 2500 cc models, on whether it is a 2-door coupe, steel or fabric, the way it is installed and whether manually or electrically operated.

Endure

One of the biggest franchises in Europe is Endure. Wear, should an effort of 2500 cc, incorporated a company that is also sole distributor for the Cortina soft-top conversion by Crayford. One of the enduring names in the business, The restorations of the structure of the 2-door 16 or 2400 cc models in the EEC regulations. A similar conversion of the Mercedes 280 CE called the St. Tropez, which was introduced at last year's motor show, is also available. The exhibition Centre, has also proved popular

regions. They are bought mainly by contractors and busy industrial people who need to equip their cars with telephones and other business aids. Of the 120 cars in the fleet, Wood and P. J. Kelly, vice president, says, "About 10% are the business special package and the remaining 20% are the elaborate models." The majority must of the 120 cars are the "basic" options. The "business" franchise is also the property of another Burlington company, Mailbox Engineering, which specializes in rebuilding Bentley Mark VI and Mark VII cars. "We have 100 cars in their day one of the preferred lineups for company business and top professional men. Time and the weather have taken their toll of the steel bodies, the paint is protected by a clear lacquer, and most of the mechanical parts can be restored to working order, re-buffing is necessary."

machinery, and while there is an obvious limit to this market, it will be there for some years yet. Some 5,200 Mark VIs were built between 1948 and 1958, and 2,320 R types between then and 1962. The bulk of them are still knocking about somewhere. Their condition before being worked on is immaterial, since each vehicle is stripped down to the last nut and bolt, and then being painstakingly rebuilt with new components where necessary.

In general the bodywork is too far gone to be reclaimed, and these are the reason why the rebodies, then in aluminium alloy as two-seaters or 2½s, are both open tourers. In the rare cases where the original bodywork can be saved, Mallieu will restore the original appearance of the car, and move it into his cars. In the five years or so since the enterprise really got under way the company has

rear. Three out of four vehicles are exported, with America and Australia good customers and the first of three for Japan now being prepared.

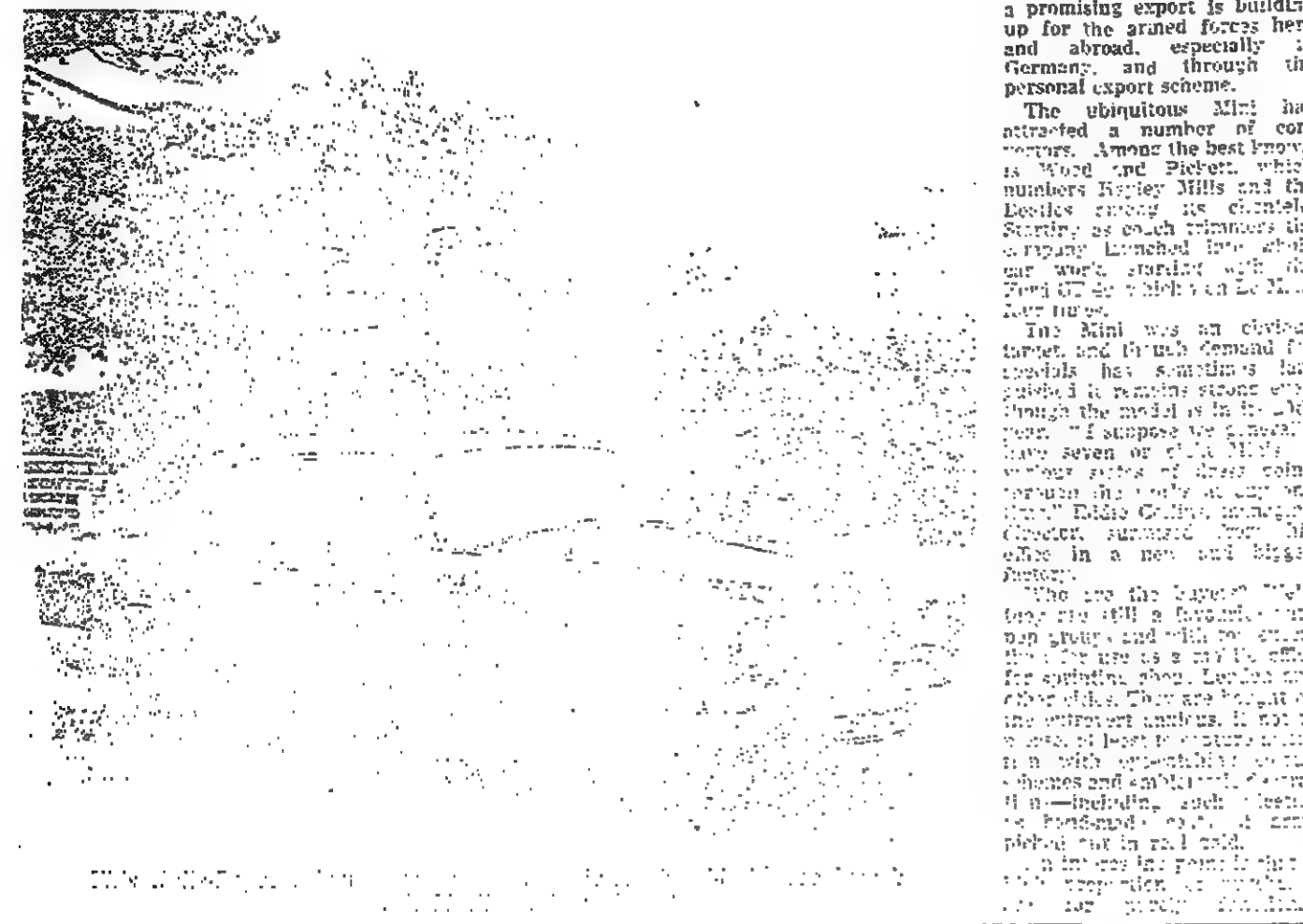
An entirely different sector of the market is the main preserve of the firm of John W. Mayors. Their Ford Granadas into suitable vehicles for Lord Mayors, hire companies and funeral directors. For the seven-seater Grosvenors and Dorchesters, the rear window of the Granadas is removed and 31in of extra platform and body inserted to create the additional room. The inserts are made by Coleman Milne in special jig. The chassis is also trimmed and equipped for the particular purpose required.

Dorchesters (and Cardinals for the hearsees) are widely used by funeral directors. Hire car companies also tend to favour the Dorchester, while the Min-

chairmen and chief executives. "Production—in the early days—was every six weeks, but has built up to eight or nine a week, with an annual output currently running upwards of 200,000 cars. The factory is situated at around 100 Cardinal heath, s, 230 Dorchester and 500 Bournemouth. An expanding export business is being developed from the Dorchester, especially to Malaysia and other Eastern territories.

But the dozen of them all built at Mulliner Park Ward, which is converting a standard Rolls-Royce motor car into a shooting machine. It requires, whether shooting or not, a brace armoured plated limousine for a head of state, or mobile lounge or office. All this costs a lot of money, in both capital and running costs, but the car is worth it to be no lack of customers—even at today's petrol prices. The assumption here, of course, is that if you can afford a Rolls-Royce, you can afford a specialist car you can afford to

Peter Cartwright



CONTINUED FROM PREVIOUS PAGE

was first the Capri, a model based on the Corvair but with looks that gave it a sports car appeal.

The approach—plunged into the United States with the Mustang—has been followed by most serious competitors including General Motors (Vauxhall and Opel), Renault, Volkswagen (Voyah), Datsun and Chevrolet.

The beauty for the maker and buyer is that a coupe can carry a premium price while a sedan cannot. Thus an Opel Manta Berlinetta costs \$6000 more than the more mundane sedan, but essentially similar.

The second approach has been equally successful—and it has not been followed with the same effectiveness by its rivals. The class of Turin styling nose first appeared on a Ford in 1974, and has been applied to all models since. Forged into a more household run, the car suddenly required new models. By the simple addition of bumpers and equipment, the Ford and Datsun, even at the bottom end of the range,

with the Escort and Fiesta, the take-up rate is still 5.4 per cent and 8.9 per cent. (At the opposite end of the scale, Granada Ghias account for nearly 20 per cent.)

Other makers have followed. But while their GLS, SR or HL appellations mean they are every bit as well equipped as the Ghias, they have never had the same impact. Indeed, the advent of the Ghias and the inroads made by the Japanese with their gadget-ridden vehicles had a beneficial influence across the range. Most cars are now very much better equipped, although some from Germany remain a bit Spartan inside.

Influence

The curious thing is that the lesson has not been learned by some other makers. BL Cars, for instance, owns the world famous Vanden Plas coachbuilding company. Yet the title has so far been applied to only two models, one of which does not even need it (Daimler) and one

of which desperately does (Allegro).
Talbot (formerly Chrysler) may be the first to take advantage of some of the historic names they have acquired over the years, including Humber, Sunbeam and Singer in the UK.
Another variation on the add-on extras theme is the saloon car racer one. Today the Ford Escort, Vauxhall Chevette, Talbot Sunbeam, Fiat Mirafiori, Opel Kadett, Renault 5 and Volkswagen Golf can be bought in more powerful, wide wheeled trim.
The cars often have aerodynamic aids that make them look quite different from ordinary saloons and more like the versions that win international rallies and races. The Escort RS, Chevette RS and Mirafiori Sport are perhaps the prime examples.
Again, Ford was among the most successful modern exponents of this when it had Colin Chapman create the Lotus Cordina in the 1980s.
Cooper, the builder of World Championship-winning Formula 1 cars, did the same for BMC's

Mini. Amédée Gordini—100-hp. Sorcier—has long been associated with Renault's products.

Today, Lotus has joined forces with Talbot to make a really winner of the Sunbeam while Vauxhall has subcontracted some Chevette Hs finishing work to Midlands sports car specialists Reliant.

Ironically, these aids to performance may be pointers to the way in which cars will evolve over the next few years. To obtain more speed to win races means (among other things) lightening the vehicle and improving its shape so that it slices through the air more easily. These sporting saloons use lightweight glassfibre panels, air dams and rear spoilers to improve air flow.

Winning also means tuning for more power. It can also be done to improve economy. Renault's use of a comparatively large engine giving lots of pulling power in a small car (the 5GTi) creates one of the most economical cars on the roads today.

Richard Feast

Richard Fegs

you can't refuse.



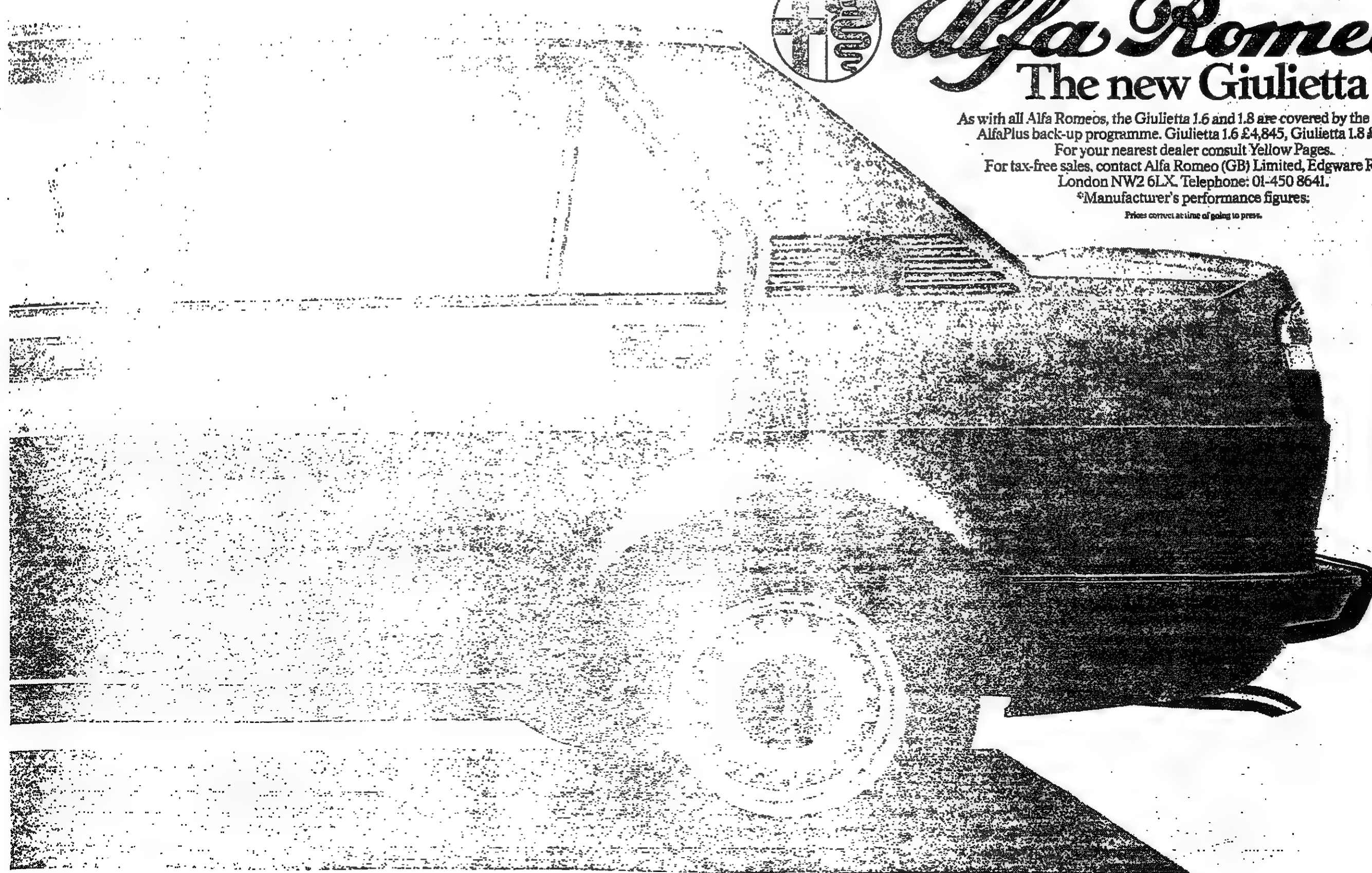
Alfa Romeo
The new Giulietta

As with all Alfa Romeos, the Giulietta 1.6 and 1.8 are covered by the extensive AlfaPlus back-up programme. Giulietta 1.6 £4,845, Giulietta 1.8 £5,165.

For your nearest dealer consult Yellow Pages.
For tax-free sales, contact Alfa Romeo (GB) Limited, Edgware Road,
London NW2 6LX. Telephone: 01-450 8641.

*Manufacturer's performance figures:
Prices correct at time of going to press.

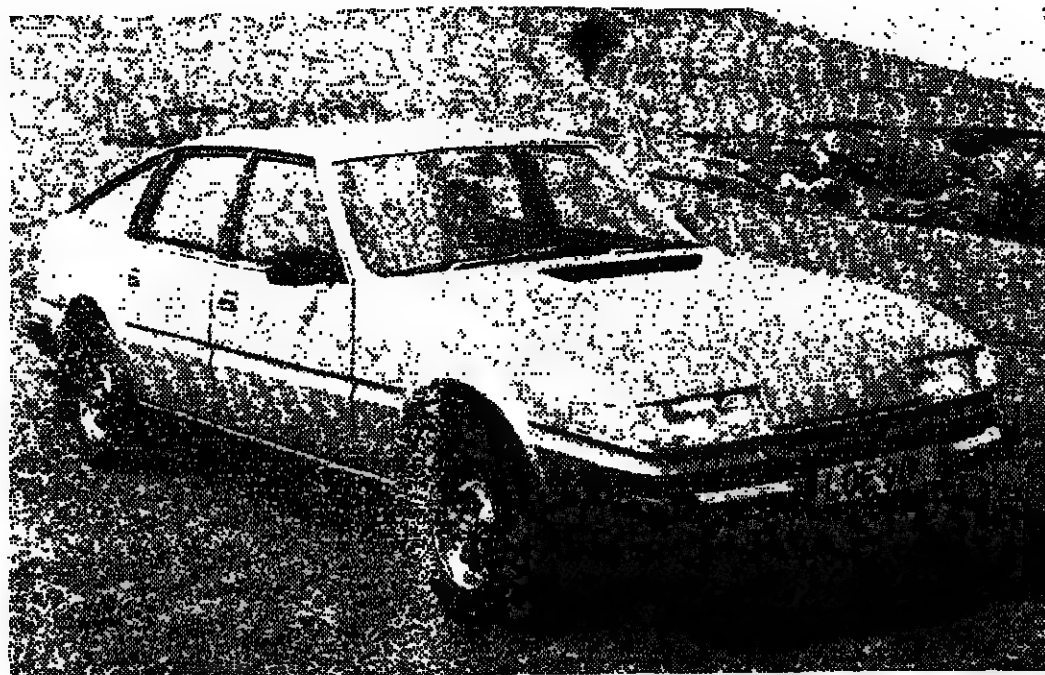
Prices correct at time of going to press



54-10000

EXECUTIVE CARS VIII

Diesels still doubted



The Rover 3500—on which senior managers set their sights

A suitable place for thinking

THE EXECUTIVE car has its own hierarchy. If you are on the first rung of the management ladder, yours is likely to be a Cortina GLE or a Lancia Beta 2000. Senior managers set their sights on Rover 3500s, Audi 100s, perhaps a Citroën CX2400 or a Peugeot 604. Only the biggest guns can aspire now to a Rolls-Royce Shadow II or even a V12 Vanden Plas Daimler.

Regardless of price range, however, an executive car has to provide a suitable environment in which a manager can think constructively while he drives—or, at the highest levels, is driven. That means it must be quiet and have a really comfortable driving seat. Any 40,000 miles a year man will tell you that if those two requirements are met, nothing else really matters—assuming that reliability can be taken for granted.

By definition an executive car must also be a proper four-seater with four doors because no two-door car of my experience permits dignified entry and exit for rear seat passengers. Power steering and automatic transmission are near-essential items for most executive car buyers. Air conditioning is desirable.

Within those parameters, what is the choice? It is surprisingly wide. Upwards of 80 models now on sale in Britain qualify to be called executive saloons, even if some are strictly speaking hatchbacks.

Alfa Romeo's Giulietta and Alfetta are for the younger buyer. The big V8 saloon due here later this year will have the power steering and automatic transmission the smaller cars lack and will appeal to senior men whose taste is still sporting.

The Audi 100, with its unique five-cylinder engine, combines a roomy interior with the performance one expects of a car with much more than 2.1 litres cylinder capacity. The BMW, with its range of 5-series and 7-series four-door saloons, is another German car with appeal.

Citroën's are one of France's contenders, with their self-levelling ride, speed-related power steering and space-age interior and exterior styling. The fuel-injected GTI is not only the fastest but also the smoothest running of the CX Citroëns. For the energy conservationist (or the man who does not like paying big fuel bills) the CX diesel is a logical choice.

Daimlers (and this goes for Jaguars, too, because they are mechanically identical) have the style of luxury even though they are volume-produced in fair quantities. The recently introduced Mk. III models have a number of small but useful improvements—a larger screen and more rear seat headroom among them. Daimler/Jaguar air conditioning is the best you will find outside a Rolls-Royce.

The smaller American-made cars are not without their attractions and are perhaps at their best on motorways. Cadillac's Seville, laden with electronic gadgetry comes in with right-hand drive at the kind of price you would expect to pay for a Jaguar XJ12. Slightly smaller though very much in the same idiom are two Japanese cars, the Datsun 280C and Toyota Crown 2600.

Ford's entries in the executive stakes are the Granada and Cortina 2300s. The latter shares the Granada's V6 engine but lacks its independent rear suspension. The Granadas, and especially the 2.8 litre models with fuel injection and ultra low profile tyres, are among Europe's best big cars, regardless of price.

Jaguars continue to epitomise everything a good executive car should be. The V12 engine survives the first oil crisis, but will it survive this one? Majestic machine though it is, it appeared (like Concorde) when there was no longer any real need for it.

Pleasant

Lancia's Beta has an engine similar to the Fiat 132/2000 but not its power steering. It is a pleasant car, though, with a nice five-speed gearbox and more than adequate performance. The bigger Gamma, with its four cylinder of 2.1 litres capacity, is a roomy car for the money.

The Mercedes range encompasses every level of executive purchase. The 200 just scrapes into the top end of the "junior" class, and the 450 SEL 6.9 is on a par with a Rolls. What is it that makes the Mercedes so appealing? It is not conventional luxury, though all Mercedes are comfortable enough. Rather it is an assurance of top quality engineering, of reliability, and regard for safety.

If you cannot afford a BMW or a Mercedes, the Opel Senator is a more than adequate substitute. This 3-litre fuel injected saloon is one of the best cars in its class. The Vauxhall Royale is virtually identical, except that it has a 2.8 litre carburetted engine.

Peugeot's 504 TI, with power steering and fuel injection, is one of the better buys at the moment because its replacement, the 505, has appeared in France. The 505 comes to Britain later this year; the 604, carburetted or fuel injected, is big, quiet and rides as well as a Jaguar. A turbo-diesel version, due here in the autumn, points the way executive cars must go in future.

Renault put the old R16 engine and the newer "co-operative" two-litre and V6 in the same shell to make the R20TL, R20TS and R30TS and TX. This five-door, five-seat hatchback has an excellent ride and the 20TS, with standard power steering, electric windows and centralised locking, is an

admirable car. The 30TX, with a five-speed gearbox or automatic transmission, is a high performance version. The Renault 18TS comes similarly equipped though lower down the price scale, and competes with EL Cars' Princess, recently revamped as a Mk II and much the better for it. The Princess, with traditional though stylish interiors, is now fulfilling its early promise.

Rover's SD1 models—the 2300, 2600 and 3500—are ideal executive transport and have been deservedly successful, especially in the past year when supply has been freeer than before. The 3500, with five-speed manual gearbox is capable of remarkable economy, given sensitive driving.

The Saab 99 is an executive car with a difference, especially the Turbo version, which exploits the otherwise wasted energy in exhaust gas to boost power when needed. Its top gear acceleration is like that of a car with a three-litre engine; its fuel economy is that of a two-litre.

Volvo's 244 and 264 show little external change from year to year but have improved. The power steering is optional on the four-cylinder cars, standard on the sixes. Automatic transmission is available on them all.

Bentley and Rolls-Royce continue to occupy a special niche in the executive car market. Even today, driving a Rolls-Royce confers privileges as well as responsibilities. When I drive a Rolls I find other road users are always more considerate. A cynic might say the others keep their distance because they think a man in a Rolls is rich enough to make trouble if his car is scratched—and the insurance claim would be heavy. I like to think it is an implied tribute to a British car that may or may not be the best in the world but unquestionably has a higher status than any other.

Stuart Marshall

THE TIME is long past when the only diesel cars were taxis. Britain is a late convert to the idea that they can be a worthwhile and civilised means of transport; it could be argued that our market is still not convinced.

Importers selling diesel cars in Britain find volumes depressingly small, and concentrated mainly in rural areas (which leads to the unworthy thought that farmers are tempted to run them on untaxed tractor fuel).

In most cases, the importers are selling far too few cars to cover their indirect costs, spare stocks and dealer staff-training courses. They regard their efforts as an investment against the time when the diesel car market blossoms.

For a long time, Britain's attitude to the diesel car was influenced by her unique position as the only country in which diesel fuel was significantly more expensive than four-star petrol. This was the result of a piece of budgetary mismanagement which has since been put right: Sir Geoffrey Howe's first budget put 7p on a gallon of petrol, and practically nothing on diesel.

Yet it should not be thought that cost alone has been the factor which has decided the British motorist against the diesel. In West Germany diesel oil and 98-octane petrol cost about the same, yet there are tens of thousands of privately-owned diesel cars on the roads. The German secret is not cost, but Mercedes-Benz.

Mercedes, and Peugeot in France, were for many years the only serious developers of diesel-powered cars in Europe, if not the world. There was always a steady taxi market for them, but the purely private sector grew steadily as people came to appreciate the extra economy of the diesel and to discount its limited performance.

In Germany at least, recognition of the fact that the diesel's exhaust is actually cleaner than that of most petrol engines (less unburned hydrocarbon and carbon monoxide) also played a part. As Mercedes' sales in Germany grew, the other manufacturers in that country drew up their own plans. Opel announced a diesel Rekord; Volkswagen created a sensation with its diesel Golf, followed by a similarly-powered version of the bigger Passat.

Ford, seeing the danger of being left out, bought the Peugeot 2.1-litre diesel engine and installed it in the Granada. Rumour strongly has it that, even sportingly-inclined BMW is working on diesel versions of its cars.

This enthusiasm for diesel-powered cars in Germany contrasts strongly with the situation here in Britain, where not one home-produced diesel car is offered on the market (Ford imports a trickle of Granada diesels from Germany). Have the home manufacturers failed



Peugeot's 604D is powered by a turbo-charged 2.3 litre diesel engine

to see any demand, or have they failed to stimulate it?

The evidence of Germany, and indeed of France, is that market and manufacturer interest feed each other, once the spiral has been set in motion. In Britain, the spiral has yet to be given that first nudge upwards.

We are actually worse off than 30 years ago, when both BMC and Rootes offered diesel versions of their mid-range saloons; yet we still have in Perkins one of the foremost builders of small diesel engines in the world.

Nor is it that Britain does not need more diesel vehicles. We still export a net surplus of diesel oil from our refineries, exchanging it for petrol because our national vehicle fleet is far from the optimum "split" of petrol and diesel from each barrel of crude oil.

Rattle

There may well be a lingering suspicion in the minds of many drivers that diesel cars are noisy, smelly and slow. It is an attitude now several years out of date. The only noise which the manufacturers have failed so far to overcome, it seems, is the characteristic rattle after a cold start. Starting and stopping the engine is now done entirely with the "ignition" key.

Cold starting involves waiting a few seconds for the cylinder glow-plugs to warm up, nothing more. Changes in control systems have made the latest diesel cars much more like petrol cars to drive, with none of the lag which in older cars could lead to jerky progress in the hands of the inexperienced driver.

Performance has improved at least to the point where a basic Mini no longer presents

a match: now acceleration is in the same class as, say, the Allegro or Escort 1300, while maximum speed is probably higher.

As for the fuel consumption, there is no denying the superiority of the diesel, though the gap between it and the petrol-engined car tends to diminish during motorway cruising. Even so, at 70 mph there is sufficient advantage in economy to give the diesel car an extra endearing feature: extreme range. Since most diesel cars have the same capacity fuel tanks as their petrol counterparts, most of them can be relied on to run 400 miles or more between fill-ups.

What of the cars available? Mercedes and Peugeot still head the list in terms of the number of models offered. Even diesel saloons—the 300D, the 240D and the technically fascinating five-cylinder 300D. There is also a 240TD version of its newly-launched T-estate car. In Germany the Mercedes range is wider, while in the U.S. the company offers the 300D with turbocharging added, boosting the performance to the point where the car is more than capable of holding its own with American-style traffic.

Peugeot's staples diesel has long been the 504D, which was given a new lease of life two years ago when it received a new 2.3-litre engine (freeing the old 2.1-litre unit for Ford's use). Now there are diesel models both above and below the 504.

Recently released in Britain is the 604D, a 1.5-litre medium-sized saloon which will compete strongly with Volkswagen's Golf D. Yet to arrive here is the big 604D, in which the big saloon's 2.7-litre V6 petrol engine is replaced by a turbo-charged 2.3-litre diesel.

This is an interesting appli-

cation, for it is the first time a turbocharger has been fitted to achieve satisfactory performance with a basically under-powered engine, rather than to seek exceptional performance from an already capable power unit. The turbocharger, familiar enough to many truck drivers, consists of a turbine driven by exhaust gases and in turn driving a compressor in the intake air, which supercharges the engine.

Appeal

It is an appealing "something for nothing" concept which, in the words of one senior Citroën engineer, "could make the diesel engine the most efficient practical power unit we can foresee in this century."

Citroën itself, now of course Peugeot's partner in the PSA group, makes a diesel version of its big and smoothly aerodynamic CX saloon. With a 2.5-litre engine, and now a five-speed gearbox, the CX has a claimed maximum speed of almost 100 mph combined with very good economy. Both Citroën and Peugeot also offer diesel versions of their big estate cars, the CX and 504 Familiales.

The real sensation of the diesel world in the past three years has been Volkswagen's Golf D, now generally accepted as being the least diesel-looking diesel yet produced, and capable of bettering 80 mpg in almost any circumstances. Demand for it in the U.S. has been such that production has never really caught up with the market, and the same 1.5-litre engine has now been installed in the bigger Passat.

At the same time, Volkswagen has started supplying six-cylinder diesels to Volvo in Sweden for use in a version of the 244 saloon; Volvo has no

current plans to offer this car in Britain.

Opel is content to sell a trickle of Rekord D saloons and estates in Britain. The company recently paralleled Peugeot in raising the capacity of its four-cylinder engine to 2.3 litres in search of better performance.

Other diesel cars not yet seen in Britain include Fiat's versions of the 131 and 132, with four- and six-cylinders respectively, and the Diesels made in Japan by Toyota and Nissan, and aimed mainly at taxi service in Japan and the Third World.

Chrysler makes a diesel version of its medium-sized 190 in Spain; and in the U.S. General Motors has embarked on a big development programme for car diesel engines of various sizes.

Almost inevitably, the state of California is now proposing a limit on exhaust "particulate emissions" for 1981 which will all but outlaw the diesel. If it is eventually adopted as federal law (as most Californian emission rules have been) it could not only "kill" waste General Motors' plans, but also destroy any hope for companies such as Mercedes of reaching the level of economy demanded by the forthcoming CAFE (Corporate Average Fuel Economy) regulations under which all cars sold by a manufacturer in the U.S. must meet an mpg target averaged over the fleet.

While the Americans play cat and mouse with each other in this way many engineers in the rest of the world feel that the diesel engine offers a way of making the best use of our remaining fossil fuel reserves. One hopes that Britain's appearance of masterly inactivity is merely outward, and misleading.

Jeff Daniels

Sports cars built for comfort now



The Ferrari 512BB

How to squeeze the last mile from every £1+ gallon

With the current rise in crude oil prices, and the potential future fuel shortage, everyone has a fuel economy problem. You've got to get the most from your petrol. We common knowledge that last driving gobbles up fuel, and cruising speeds in the 60 to 80 m.p.h. range can increase consumption by 15 to 20%.

It's also accepted that consistent, accurate control of the accelerator pedal is the fundamental basis of all economy driving techniques. Econocruise Electronic Speed Control puts these facts to work helping you to economise.

At the touch of a switch, Econocruise Electronic Throttle Control will drive your car automatically and exactly, at any constant speed that you select above 25 m.p.h. On long journeys there is a bonus of driver comfort too.

Econocruise helps you to drive economically and consistently within the speed limit, protecting your licence.

With fuel getting scarcer by the day, Econocruise could enable you to complete your journey with fuel to spare.

THE traditional sports car concept is changing because of financial pressures and safety legislation largely emanating from that great consumer country the U.S. It is such a vital export market for companies as diverse as Japan's Nissan, BL's Jaguar Rover Triumph and Germany's Porsche that what happens there has echoes all around the world.

There, the demand is for more miles per gallon, fewer exhaust emissions and more passive safety features. It was

TIME WAS when a sports car meant just one thing—an open-top, 100-mph two-seater with few creature comforts and rock-hard suspension.

There are still a few around like that even now. The unchanging Morgan is the epitome of the way it used to be, and the little Malvern company is doing good business producing sports cars just as it has for decades.

Even though Morgan has some modern imitators, the fact is that sports cars, in the purist sense, are fading. Those Triumph TR2s, Austin-Healeys and MGAs, with minimal road-holding and brakes, have thankfully gone.

Again, while the ancient MGB seems to go on for ever, the MG Midget is expected to disappear soon. That leaves "soft" cars like the Triumph TR7 and Spitfire, which are no faster than many modern saloons. They are regarded as soft because they are not the he-men's cars that sports cars once were. They are better weather-proofed, have more equipment, ride more comfortably and are definitely not as twitchy to drive.

Nowadays, most people regard anything low and slinky as a sports car. But as Mr. Bobby Bell, of Surrey sports car specialists Bell and Colvill, explains: "A sports car is really a two-seater. Now you might say that a Lotus is a sports car, Lotus would disagree. What they are making are touring and GT cars."

The traditional sports car concept is changing because of financial pressures and safety legislation largely emanating from that great consumer country the U.S. It is such a vital export market for companies as diverse as Japan's Nissan, BL's Jaguar Rover Triumph and Germany's Porsche that what happens there has echoes all around the world.

There, the demand is for more miles per gallon, fewer exhaust emissions and more passive safety features. It was

American safety regulations which caused Porsche to develop, at enormous cost, their Targa-type roll-over bar, for instance.

It is also for a softer and more luxurious approach to car design, even if they are sports cars or GTs. Ferrari now offers automatic transmission (a General Motors unit) on one of its models—something that would have been unthinkable a few years ago.

The result is that the demand for something distinctive is now also being met by makers who were not previously in the market with cars that are (very good) coupe versions of saloons. Even today, with more or less blanket speed limits, these cars are as fast as their predecessors.

Furthermore, their superior road holding and braking make them a lot safer. Government-type approval requires a great deal of money. A big manufacturer can spread the costs across large sales, but for a low volume maker it imposes an even greater price burden. Hence they become even more expensive in relation

to the mass-produced models of their rivals.

If the small maker cannot effectively compete at the cheaper end of the market, it is only natural that he will move up-market, where pricing is less critical. To do that, the car must have all the gadgets like electrically operated window lifts, power steering and air conditioning.

Outcome

A typical illustration is the Jaguar XJS. While production began soon after the end of the Jaguar E-type, it was not a replacement as such. It had so much luxury trim that it represented a complete change of direction.

The overall outcome is that a modern performance car has to be aimed at as large an audience as possible. That means more mass production and all the marketing tricks that turn the ordinary-looking saloon into a "sports" car.

At the same time, safety, emission and consumption nooses begin to tighten around the older types of car. Morgans have long gone from the shores of the U.S., though the demand elsewhere does not seem to have abated. Companies like Aston Martin, Ferrari and Maserati cannot possibly meet the proposed American CAFE fuel consumption requirements with their existing cars.

There will always be a demand for these hand-built cars, of course, but they are not immune to the broader trends.

British sports cars made by Jaguar Rover Triumph are the market leaders at the lower end. Their offerings comprise the TR7, Spitfire, MGB and MG Midget. They, and their predecessors, have dominated the market for years. None costs more than £5,000, which means they have been many young people's introduction to cheap open air motoring. The TR7, it is true, is a closed car, but it has been introduced in the U.S. and will eventually find its way to Britain once the appetite over there has been assuaged.

British dominance is only really threatened by the Italians, who have a passion for fast cars. Perhaps the most serious challenger is the relatively recent Fiat XJ-16. It is a mid-engined car styled by Bertone to look like a mini-Ferrari—in itself a Fiat company—and, say the enthusiasts, is the car the TR7 should have been.

Then there is a wide range of coupe and spyder (open) versions of the Lancia Beta and GT version of the Alfa Romeo Alfaisud and Alfetta. Other contenders must be the Volkswagen Scirocco and Honda Prelude. But all have so much more accommodation than their nearest equivalents, the traditional MGB and relatively new TR7, that many do not regard them as sports cars.

There is only a smattering of GT cars up to the 10,000 mark. They embrace specialists like the Porsche Carrera and Reliant, as well as the highest-selling sports car in the world, the Datsun 280ZX. They are shortly to be joined by the Mazda RX-7. It is the RX-7, in which Toyota-Kogyo have pinned all their rotary engine

faith, all other cars makes having abandoned the Wankel.

Equally, the market embraces coupe versions of saloons like the Ford Capri V6, Opel Monza/Vauxhall Royale and Lancia Gamma. Should it not also include the Saab Turbo? It may be saloon in shape, but it has a performance to match many a sports and GT car.

Above this price, only two patterns emerge. One is exemplified by the ostentatious semi-racing projects as seen in the A.C. and some Lotus, Ferrari, Maserati and Porsche models. In a similar category are Panthers, Jaguar and Bugatti replicas.

The other is the conservative, restrained styling of companies like Daimler-Benz, BMW and for certain Ferraris and Maseratis. Which of these one chooses says a great deal about the type of person one is.

Certainly there is so little pattern to pricing that one wonders whether makers are simply trying to establish what the market will stand. Prices appear to be infinitely less critical, even over a broad range, to the owner of a small private company—a typical owner here—than to the bubble-bat brigade in the lower price scale.

Makers with famous names seem to show few worries about the prospect of tighter fuel supplies. "I don't want to create a false optimism about sales, but we see no abatement in demand." Our modest six cars a week will be bought for as far ahead as we can see," explains Aston Martin managing director Mr. Alan Curtis. "A picture of optimism exists in the garage trade too. There is no real sign of a slackening in demand for expensive luxury cars—yet. Where the difficulty may emerge is with the trade-in vehicle. The second-hand market is drying up quickly, and new traders are buying for stock. It can only depress trade in prices, and that may ultimately affect new sales."

Richard Feast

ECONOCRUISE
electronic speed control

Econocruise Ltd,
180 Wood Street, Rugby CV21 2NP

Please send me further details

Name _____

Address _____

Vehicle _____

Auto/Manual _____

هكذامن التحصيل

Big demand for four-wheel-drive vehicles

THE UK market for four-wheel-drive cars had never been so buoyant or so competitive as in the first five months of this year. Then came the oil supply crisis to complicate the position, more than somewhat.

A good illustration of the situation at the end of May can be gained by the performance of Land Rover, the BL offshoot which dominates the British market in this sector. The group had never sold so many Land Rovers and Range Rovers in Britain in such a short time—yet its market share had dropped to the lowest ever point.

Demand had been stimulated in two ways: the appalling weather and road conditions early this year and the fact that newcomers to the market were going out and selling aggressively.

Perhaps the most aggressive has been TKM Vehicle Services (UK), a subsidiary of Tozer, Kemley and Milbourn (Holdings), the international finance and trading group. This company began UK marketing of Daihatsu four-wheel-drive vehicles from Japan and Jeeps from the U.S. late in 1977. The idea is that between them the smaller Daihatsus and the big Jeeps provide a complete range of go-anywhere vehicles.

In the first full year of operation TKM captured 15 per cent of the market and this year hopes to push this up to 20 per cent to take its turnover from £10m to around £15m. TKM Vehicle Services provides one way for the parent group to keep a firm foothold in the car market after it loses the BMW franchise next year when the West German car group will take over its own distribution in Britain.

Supplies of Daihatsus are restricted by the Japanese manufacturers' policy of taking a "prudent" view of the UK market and not disturbing it too much by sending in too many vehicles.

The same constraint applies to the importer of the Subaru four-wheel-drive cars. The importer, Subaru UK, hoped to

import and sell 4,000 cars in the first full year of operation—1978—but this was cut back drastically and just over 1,500 were registered. Ambitious dealer network plans were revised so that the company restricted the number to around 50. However, in the first half-year of 1979 Subaru sold 1,862, more than in the whole of 1978. Subaru UK is owned by Britcar, which also owns the rump of the former Jensen company, called Jensen Parts and Service. The idea is that the Subaru business can be built up as the Jensen operations are progressively run down.

There have been four further new arrivals on the UK four-wheel-drive scene this year.

One is a Portuguese company which lost its Land-Rover franchise in 1973 and is now manufacturing a direct rival called the Portaro Pampas. It is produced by Sociada Electro-mechanica de Automotives (SEMA), and marketed in Britain by Land Car Concessionaires, a new company specially set up for the purpose. Some 25 distributors have been appointed. They expect to sell around 750 vehicles in the UK this year.

Competition

Many of the mechanical parts for the Pampas are supplied from Romania and by coincidence the supplier, ARO, has also found a direct outlet in the UK this year via Tudor Vehicle Imports. Both the Pampas and the ARO Ranger compete directly with the Land-Rover. Tudor Imports expects to be able to sell 3,250 a year of its Romanian four-wheel-drive vehicles. Tudor hopes to have around 65 dealers by the end of 1979.

The third newcomer is another Japanese concern—Suzuki. This company is better known for its motor cycles but it is now offering two versions of a four-wheel-drive vehicle, smaller than the Land-Rover, in the UK. At the same time the UK marketing company introduced a light van and a pick-

up truck and it reckons that it will sell about 1,500 in total this year "and we expect the allocation from Japan to remain small for some years to come."

The company, Suzuki (GB) Cars is ultimately owned by Mr. Gerald Ronson's Heron Corporation through its Heron-Suzuki subsidiary, the motor cycle importer. Heron-Suzuki sells about 40,000 to 50,000 motor cycles a year, giving it a 20 per cent market share and a £20m annual turnover, thus providing a useful base for the developing cars and commercial business.

Then the Lada Niva from the USSR eventually went on sale in the UK in the spring, in right-hand-drive version only but once again the importer was complaining that he could not get enough to satisfy demand.

The Niva is an original Russian design and comes out of the plant at Togliatti where the Fiat-inspired Ladas originate. The importer is Satra Motors, a subsidiary of an American concern, and Satra says it will sell about 2,000 Nivas in the UK this year—pre-publicity before the British launch meant that a considerable number of orders had been placed before the vehicles actually arrived.

All this activity has been stimulated by the fact that BL's Land-Rover offshoot has been leaving the market short of four-wheel-drive vehicles—and, as they say, nature abhors a vacuum.

Mr. Christopher Tennant, managing director of TKM Vehicle Services (UK), the Jeep and Daihatsu importer, believes that nobody can tell how big the UK market for four-wheel-drive vehicles really is because demand has never been met.

In the peak year, 1973, some 17,000 four-wheel-drive vehicles were registered, all of them from BL. BL accounted for 8,500 of the 7,500 vehicles sold last year.

Mr. Eric Sykes, managing director of Tudor Vehicle Imports, suggests that the market could jump to around 11,000 in

1979 (it was on target at just under 5,000 at the end of May) yet Land-Rover is unlikely to increase substantially the number of Land-Rovers and Range Rovers it makes available in the home market.

Certainly BL is now moving swiftly to increase four-wheel-drive output. Some £280m is going towards doubling production of Land-Rovers and Range Rovers to 75,000 and 24,000 a year respectively. But this programme will not be completed until 1982. And BL surely wants to keep the export content at the current 80 per cent level.

So far most of the imported competition has aimed at the Land-Rover sector of the market. Next year the Range Rover's rival seems likely to turn up in the UK by courtesy of Mercedes. Full production of the four-wheel-drive "G" (for Gelandewagen) range, developed at the cost of £27m by Daimler-Benz (Mercedes) and Steyr-Daimler-Puch of Austria began earlier this year and marketing began in Continental Europe in June. Output will be a relatively modest 8,000 in the first year and then 11,000 a year.

The question which will not be answered for some months is what impact the steep rise in fuel prices will have on the four-wheel-drive market.

At the executive end of the sector, in particular, the vehicles are not exactly frugal users of fuel, while at the same time are bought by people who are not particularly concerned about the cross-country capability four-wheel-drive implies. For example, it is estimated that Range Rover owners spend only one-tenth of their driving time off the road. A typical comment came from the man who said: "The only time the average Range Rover leaves the road is to drive on to the grass at a point-to-point."

Significantly, however, the Vehicle Services has not revised downward its estimates about the number of Jeeps it can sell in 1979 and is sticking to an earlier forecast of 1,250.

I.C.



The Rolls-Royce Phantom VI convertible saloon: the upper structure comes in summer and winter forms, for open air use or with a rigid roof

It carries the dignified aura of Heads of State and the world of diplomacy. Mind you, at the other end of the scale, far away from the Kensington embassies, Rolls are to be seen parked in such purloins as the tangled metal on the yard of a scrap merchant—as evidence that he has made the score.

In the Rolls-Royce range the Silver Shadow II at around £25,000 is run-of-the-mill stuff compared with what can be done by their craftsmen. Never mind the walnut or maple cappings, the Wilton carpeting and fine silk trappings, with telephone, radio, TV, everything as ordered, and costing up to £75,000. What about a Phantom VI, of which no two are the same and only about 20 a year made. This is the kind of mobile office-cum-fortress that Heads of State are apt to choose. The armour-plated variety costs nearly £300,000.

This is a world where manufacturers vie with each other in coining descriptive figures and words to set their vehicles apart and trigger the imagination and the financial taste buds—the Porsche 928 (A), the Jaguar XJS, "Turbo", "GT". Get into a Porsche Turbo 3.3 litre, put your foot down on the accelerator, and any lingering doubts as to what turbo means will be speedily removed.

Names can be even more evocative, like the Maserati Khamisn, the De Tomaso Pantera GTS, Lamborghini and Lotus. Some of these have been evolved through racing and occupy a special niche in the hierarchy of exotica, with British Lotus very much there. Those who move in these circles do not have to identify the manufacturer—Esprit, Xyalami, 450 SLC is enough. Esoteric world it may be but it pays off in hard cash.

Lotus is an outstanding case in point, and British to boot. In the first six months of this year it notched up 480 registrations, as many as in the whole of 1977. Of the 480, some 150 were mid-engined top of the range Esprits, and the remainder were executive-type cars of which a majority were bought by companies or professional people. This reflects in part the sharp growth in leasing.

Recently Lotus acquired a U.S. operation and is busily building up four distributors into a national organisation. It plans to improve on its current 40 per cent shipments of total production to professional men and individual executives.

One thing is clear—the demand for individuality has seldom been stronger. The waiting lists for Rolls and Mercedes, for Porsches and Maseratis, Lotuses and Britolis are ample evidence of that.

Peter Cartwright

The lure of the exotic

JUST READING the specification of a limited edition car— if that is not too vulgar a phrase to describe these elegant and powerful pieces of machinery—makes some people drool. It is so easy to imagine oneself, inconspicuously, slipping behind the steering wheel, turning the ignition key and blasting off into a world where other people's most frequent view of you is a vanishing rear number plate.

Sometimes it has been whispered, not even wives and girlfriends inspire so much attention. Though unlike those attached to sugar and cricket families they are unlikely ever to become grass widows. Indeed, women are increasingly helping the male to choose the car of his desire—and not just to head off a choice between the two.

The purveyor of this information is Mr. John Curtis, managing director of Aston Martin Lagonda, who more than most other executives in his class seems to keep his eyes on the car. Mr. John Curtis makes four models: the Vantage, a two-door V8 sports car and a higher performance version; the

Volante, a new convertible version of the saloon; and the Lagonda, of which one a week is being made.

He gave me a profile of the average buyer of an Aston Martin. "He is aged 45-55, with two children, runs his own business, finds a Rolls too ostentatious, a Ferrari too flamboyant, and buys an Aston because it is conservatively British and all that's contained in the best meaning of the word."

Interest

And the Lagonda? "Well, with all the models we have noticed in the last 18 months that wives are taking a much more active interest in the purchase. It's no longer a men-only situation. And a growing percentage of girls in their 20s and 30s are buying Aston—those who are doing well at acting, modelling, all the professions, you could say. All the professions? Well, definitely I would include advertising and PR," said Mr. Curtis.

The Lagonda is one of the most recent expressions of the British art, though now it is minus a troublesome micro-

processor which used to return the driver's seat to its original attitude, tell the average fuel consumption and so on. The price is nearly £40,000 but if you can get hold of one it is possible to sell it at nearly double this. Most are going to ruling families in the Middle East, so it's hard to compete.

Another British marque in the same idiom is the Bristol, which grew out of the Bristol Aeroplane Company and reflects the strong influence of its chairman, Mr. Anthony Crook, who was both a pilot and a racing driver. It is one of a declining breed that employ a separate steel chassis and aluminium alloy panelling. It has a high performance six-litre engine and it is a particular claim that either of the two models produced will suit itself to the mood and needs of the driver, whether hurrying or just drifting through the countryside. The 6/3/53 is a saloon and the 412/52 a convertible in the true sense, since the upper structure can be changed for summer and winter to provide open air or rigid roof use.

Of course the d-d-dy of them all is the Rolls-Royce. This car is too big to be unobtrusive, yet

Another pat on our hatchback

Last year, the Renault 20TS was voted 'What Car's' top car.

Not only winning convincingly in its own class, but out-pointing over 100 standard production models from other categories.

It wasn't a flash in the pan.

Because in their May issue, 'Car' magazine had this to say after putting the 20TS through its paces against the two litre Saab and Audi. "Our favourite is the Renault.

If you accept that cars are made

to go and that it is the quality of the going which is important in the end, then the Renault must win.

It has the most performance, the best handling and a ride which is not only the best in this field but just about as good as any car you can name.

Not to forget one of the world's great steering systems.

It is also a very complete and well-equipped car..."

Those are 'Car' magazine's words, you understand, not ours.

We wouldn't want to be accused of patting ourselves on the back.



TWO LITRE RENAULT 20.
NOW WITH 5 SPEED GEARBOX

EXECUTIVE CARS X

Riding in comfort...

NODDY DOGS, Huggy Bear car seat covers and furry dice do not appear to figure in the accessories to be enjoyed by the Mayor of the London Borough of Brent in her new £38,500 Daimler. But her tours of duty will be made the smoother with a cocktail cabinet, colour TV, writing desks and air conditioning. It seems a little surprising that there are no curtains, since the car is said to have been originally ordered by an Arab. Presumably electrically operated windows, an in-car entertainment system plus other small comforts come as standard.

A Rolls-Royce, of course, comes fully equipped but the company will meet a customer's particular request—if it is possible. At Jack Barclay it is not unknown for a refrigerator to be ordered, possibly silk furnishings or initials or a monogram to a door. An anti-theft alarm fitted to a mascot would cost about £130.

Further down the executive scale, the range of accessories includes powered glass, pop-up and soft top roofs, wheels, trim, steering wheel covers, radios and cassettes and many smaller items. Cartrend's Huggy Bear—luxurious fur fabric—seat covers sell around 500,000 a year and the company has predicted a 45 per cent increase over 1978.

Concerned

Some of the latest figures on this fragmented market were produced at a seminar sponsored by the Society of Motor Manufacturers and Traders and the magazine Auto Accessory Retailer. David Willan, of Industrial Market Research, in his look at the UK "automotive after-market" in 1978 estimated that Britain's motorists spent £817m on replacement parts, accessories, maintenance and repair equipment for fitting and using on their own vehicles. "A more detailed breakdown revealed that as many as 66 per cent of all owners actually lifted the bonnet to perform some type of repair work, with a further 17 per cent involved only in buying accessories and car care products."

The total figure represents £65.44p per head.

In the development of this rapidly growing market "an increasing number of motorists have become concerned with embellishing and adding accessories to their vehicles as well as spending more time cleaning them and making them more presentable." The practice of "customising" cars seems to be increasingly popular with young men, and the range of goods has risen in tune with demand. New products include car deodorants, strip and upholstery cleaners—all launched in the last few years.

IMR reckons that replacement parts bought by DIY motorists in 1978 amounted to £450m, with sales of accessories reaching £222m and representing 27.2 per cent of the market, the other sectors being maintenance and repair equipment at £93m and car care products at £52m.

Among accessories electrical items and in-car entertainment are reckoned to account for 42.8 per cent of the market and £95m in value terms. Radios, tape players, combined units and fog and spot lights top the list. "Comfort and vanity" items represented £75m or 33.3 per cent of the total. Here the leaders are seat covers, road wheels and car seats.

In retail distribution terms the accessory shops are the most important source for the DIY men—£263m or 33 per cent of the market. The greater share is held by the independent shops—£139m—with the other £124m going to chain or multiple stores. Sales through garage stores are estimated at £243m, with parts shops, mail order, department stores and supermarkets mopping up the rest. Accessory shops, reasonably enough, seem to have most of the sales of accessories—£76m. Mail order sales are said to be primarily of in-car entertainment equipment. Car care products are also mainly sold through accessory shops—to the tune of £20m.

The "aftermarket" customer has an increasing choice of where to shop. Motor accessory

shops (independent and multiple) have doubled in numbers in the last seven years and now total around 4,100, but they are under pressure from other outlets.

There are 9,500 new vehicle dealers, of whom some 50 per cent have an accessory shop. Among the 11,500 motor repair garages, 5,100 have a shop, and of course the 60 per cent of petrol stations which have shops offer a very wide range.

Department stores, supermarkets and hypermarkets account for some 14 per cent of car care product sales, an area which they are expanding. Cash and carry outfits have made a considerable impact on the aftermarket—in 1977 it was estimated that they accounted for 25 per cent—30 per cent of the DIY trade. Major customers at these outlets are multiples (20 per cent), hypermarkets and superstores (12 per cent) and service stations and garages (8 per cent).

Giants

The supermarket giants are moving in on the accessories side at quite a rate. International Stores sells a restricted range. Presto Discount Stores has sections in all the branches in the first phase of its expansion programme and it has plans for opening up in the southern counties. House of Holland, something of a newcomer to auto accessory retailing, now has 84 branches, and the Debenhams Group has opened a new accessory department at its Croydon store. Asda Stores is to have a large department at Chelmsford, and Halfords is to have a branch in the first phase of the central shopping centre in Milton Keynes.

Smiths Industries reckons to be the market leader in powered windows with its Servoglide. But the company says it has no idea of what the value of the total market must be. Engagingly it adds that it thinks that when people have tried them once they become the sort of products that you can't think how you managed without them before. Powered roofs sell at

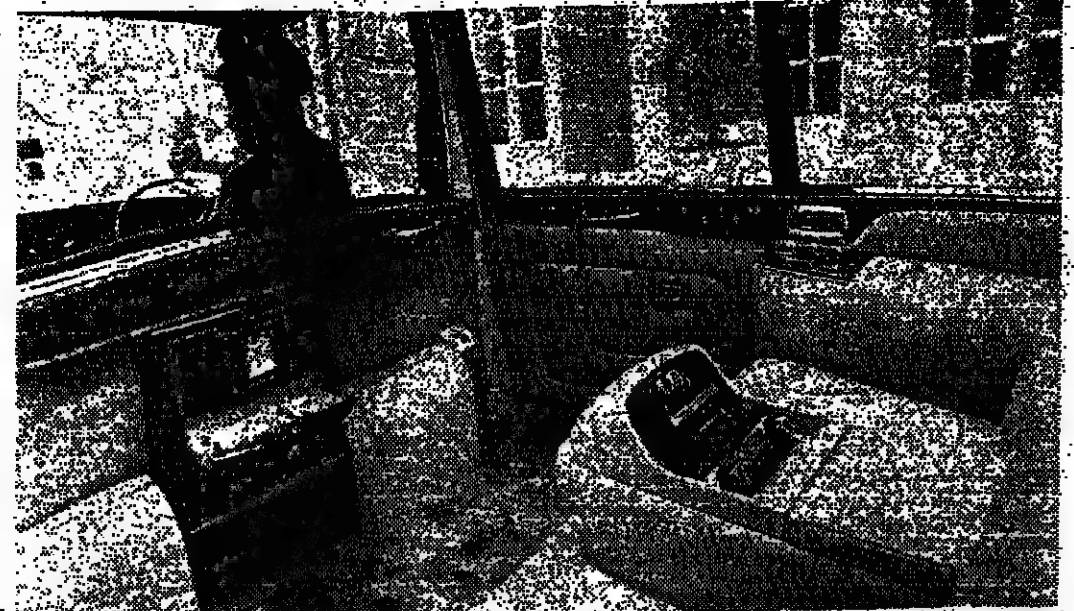
about 85,000 units a year, to a value of some £9m.

The trade beamed away about last year's Motor Show, for it felt that the layout resulted in components and accessories being in a "corridor" which led to the commercial vehicles. For the 1980 show cars are to be spread around more and accessories and components will be interspersed. In addition there is to be a new 15,000 sq

m hall for accessories and garage equipment.

From the highest-fi to the sensational bonnet stripes, screen printed murals of samurai or space stations and self-adhesive "instant" car and club badges, the manufacturers try to offer the motorists everything they might want—or might not. Like furry dice?

Pamela Judge



The interior of the Queen's Rolls-Royce Phantom VI, including stereo radio and cassette deck and controllable air conditioning.

...and keeping in touch

THE USE of car telephones has been growing sharply in recent years, as the manufacturers of mobile communications equipment successfully plug the line that greater use of two-way radios in cars, vans and trucks holds out significant prospects of energy savings.

The point is a simple one: messages relayed from a central point can cut out the need for return journeys, and can enable transport managers to re-route the vehicles in their fleet as new orders come in. The net result is a gain in efficiency and a saving in petrol.

In the luxury car market, part of the same point remains apposite. Luxury cars are frequently used by executives, who may well lose time in not being in constant touch with the office. However, at the luxury end of the car telephone market, equally important marketing strategies are the ability to conduct business in the course of a journey (especially in chauffeur driven cars) and the convenience of remaining on call for urgent messages.

These factors—together with the more indefinable one of keeping up with the next manager—are likely to be more persuasive in the future. So what kind of service can the car caller expect from his car telephone?

In the UK the answer is that he can expect an improved one. Last year, the Post Office liberalised its restrictions on mobile communications. Before last June, all messages to and from mobile stations had to be relayed back and forth by

operators: direct communication has been wholly successful, not has it been out. Since June 1978, companies who are issued with a licence can provide a service which allows the mobile caller to talk direct to another station.

The Post Office is happy with this liberalisation, saying that it had wanted to operate it for some time but was held back by the Home Office, which had been worried that the system would overload the already overloaded airways. It appears that the Government is willing to give the new system a chance.

This means that the operators—like Aircall, Selective Audio Messages and others—can now switch their customers straight into the public network, allowing them to hold direct, two-way conversations with any other subscriber.

The liberalisation was in part achieved by intensive lobbying on the part of the operators. They formed an association largely for the purpose—the National Association of Radio Communications Services—and convinced the authorities of their case. However, the regulatory change came as the Post Office itself was reassessing its marketing strategy, and was an early product of that reassessment.

In brief, the Post Office had decided, partly under the influence of new top management appointed a little less than two years ago, that it was both in its own and its customers' interests to attempt to provide the widest possible range of the most modern services possible as soon as it could. It has not

finished worldwide strength the company will provide. fierce competition to the established companies.

Other, smaller companies, many of whom are recent entrants to what is seen as a growth market both in the public utilities sector and in the private market, are Dymark, Nolton Communications, Redifon and Bird Audio. Yet another is Burndy, which attracted some possibly unwelcome publicity when 51 per cent of its equity was bought by the National Enterprise Board late last year for a £510,000 cash injection aimed at helping the company over a number of problems which drained its reserves. Its specific complaint appears to have been over-reliance on fixed price contracts with public utilities at a time of rapid inflation.

The largest problem in the car radio market is thus no longer the regulations, which have been liberalised, nor the suppliers, which appear plentiful, nor the operators, which—when the Post Office is included—provide a virtually national service, but the always, which are limited. Indeed, in London, where demand is by far the highest, they are near to exhaustion.

The Home Office, which has surveyed the market, reckons that present bandwidths will be sufficient to the year 1985, but that after that year, between 70 MHz and 80 MHz will be required, to accommodate increased demand not only in mobile car telephones, but in

radio paging and other message handling services as well. There is, as the Post Office points out, a certain amount that can be done without extra frequency allocations: for example, the 25 MHz spacing between channels can be reduced to 12.5 MHz, which while not quite having the effect of allowing the doubling of the number of channels, does allow an appreciable increase. But in the end, as everyone agrees, extra bandwidths will have to be found from somewhere.

The forum for these deliberations is the World Administrative Radio Conference, which will convene in Geneva later this year. There, the demands of a number of countries—and others, particularly the U.S. are also suffering from band starvation—will be sorted out. There, the needs of advanced industrial countries will be sorted out. There, the needs of developing countries, many of whom are in the early stages of building up radio and television services, all of which have their claims on the spectrum.

At this point, it seems likely that space may be found by shuffling television off the bands it now occupies, although there are naturally objections from television interests on the proposed restructuring. However, it seems that a solution can be found, and that the growing market can continue to be served.

John Lloyd

Senator.

The small circle of exclusive cars has grown a little.

Once, not so long ago, you could count the number of true prestige cars on the fingers of one hand. Now there's a genuinely new contender.

The car that won Germany's coveted 'Golden Steering Wheel' award before a panel of automotive experts from all over the world, for safety, comfort and performance.

The Senator. From one of Europe's most successful car manufacturers—Opel. That the Senator can only add to the marque's success is confirmed by 'Car' magazine. 'Do the much respected Mercedes-Benz 280SE and BMW 730 have anything to fear from the sleek new Opel Senator

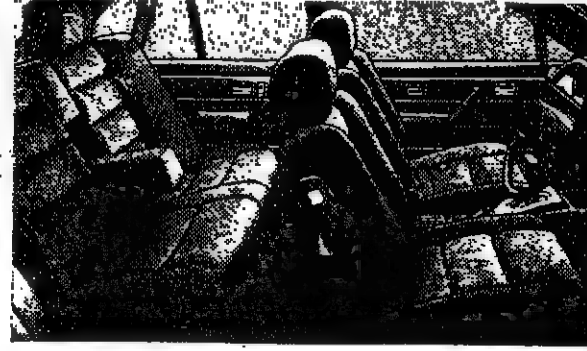
3.0E? You bet they do! The Senator offers you a three-litre, six-cylinder, fuel-injected engine capable of 0-60 in under 10 secs without a murmur ('Car' figures). That's something you, or your chauffeur, will appreciate.

So is the mood of sheer opulence that surrounds you. From the deep velour seats, the rich pile carpets, to the tinted, electrically operated windows.

Suffice to say, the Senator is equipped with everything you've every right to expect from a luxury car.

When you get behind the wheel (power assisted, of course, and adjustable) you'll be cosseted by front-seat

heating and height adjustment, full instrumentation and driver information systems, a cassette radio, centralised locking, plus everything else that can transform modern motoring from an ordeal into a pleasure.

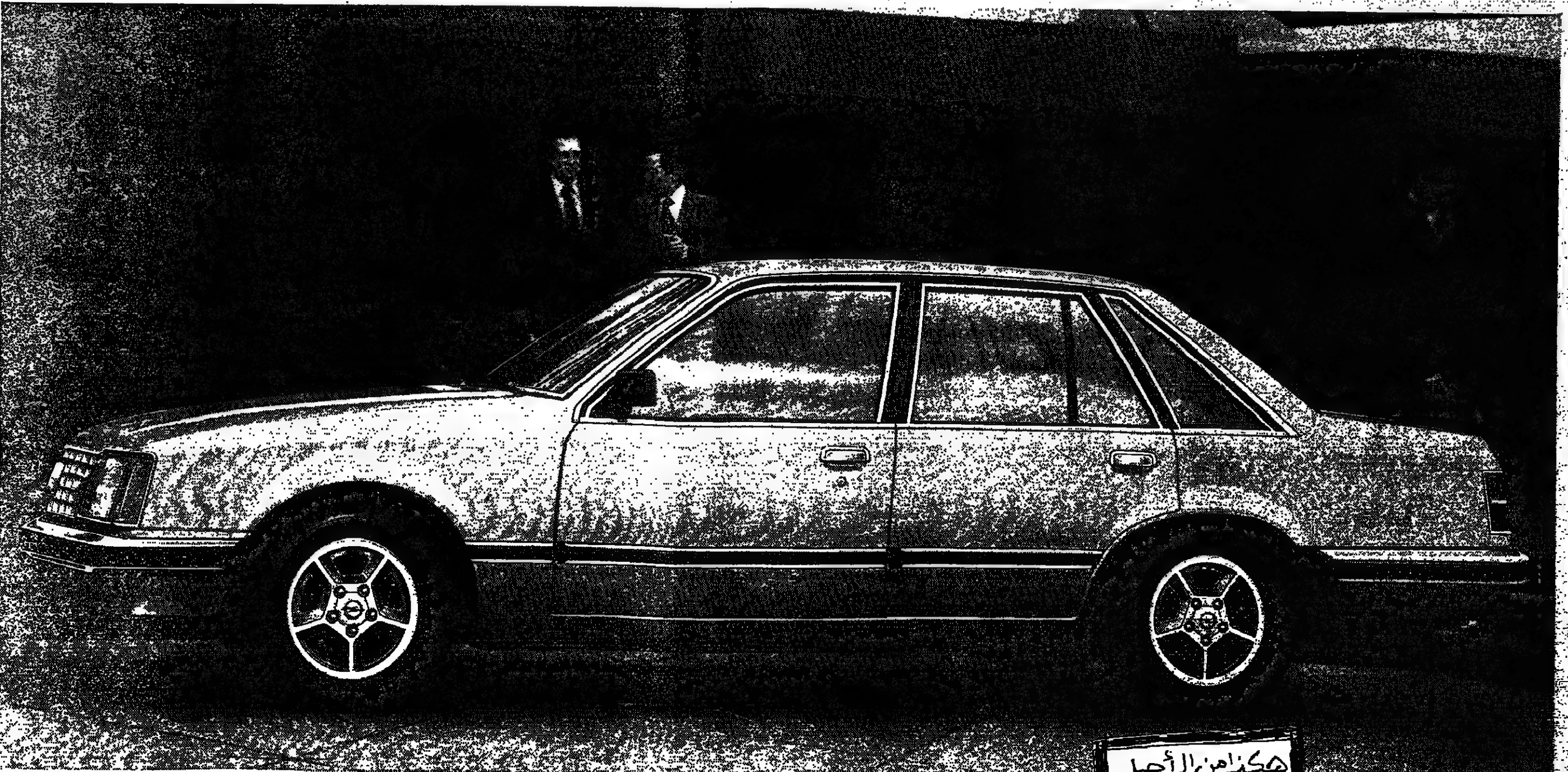


In purely practical terms, the Senator, at around £11,000, with its automatic transmission, can do a great deal to make the business of getting from A to B more comfortable, more efficient, less time consuming.

And do it in style.

We suggest you write to the Opel Information Service, PO Box 2, Central Way, Feltham, Middlesex TW14 0TG, for a comprehensive information package on the Senator.

After that, we'll let a test drive do the talking.



SENATOR by Opel

هكذامن الأحملي

Second-half lift for Arlington

WITH second-half results showing a rise from £22.00 to £22.50, the share price of Arlington Motor Holdings increased 15 per cent to a record £13.25 in the year to March 31, 1979, compared with £11.50 previously.

The company's previous turnover of £1.2m was well ahead of the £1.0m target.

At mid-year, profits were up from £27,000 to £28,000, and the directors expected that the full-year return would be satisfactory.

They also say all group activities have shown an improvement and the results stem largely from the company's policy of modernising and developing existing businesses.

The company is budgeting for a profit increase in the current year and is ahead of forecast after two months. However, the impact of the budget and fuel supply problems cannot yet be determined, they add.

The net total dividend is raised 1.5p per cent from 7.5p to 9p, with a 6.5p final. Stated earnings of 2.5p share are up from 2.2p (24.5p).

Comparisons have been related to reflect new accounting treatment of bringing in only a share of profit of the 51 per cent owned subsidiary, Arlington Motor Finance.

These may be said days for Arlington Motors. Commercial vehicle sales remained buoyant in the first quarter of this financial year, with trucks and vans still accounting for around 60 per cent of vehicle turnover.

The group has been able to withstand stagnation in the used car market and the flattening of car hire business. With the share price of 13.25 supporting a yield of 15 per cent, the stated p/e of 2.6 looks a shade humble.

Full-year, however, the figure is 6.4 and medium term prospects are not so bright, with truck demand likely to tail off towards the end of the year. Nor

is the balance sheet as impressive. The £22,000 purchase of Northampton Car Auctions has been charged to stock financing, while loans and overdrafts have risen to £4.2m from £2.3m. The group has not consolidated Arlington Motor Finance, where the interest payable, figure has risen from £119,000 to £403,000. The company says the balance sheet position improved considerably in the first quarter of the current year.

GEI ahead in first quarter

IN THE first quarter of 1979/80 sales of GEI International, a specialist engineering group, were 9 per cent ahead and profits were also higher.

Speaking at yesterday's AGM Mr. Thomas Kenny, chairman, reported that orders received showed an increase of 15 per cent and outstanding orders were up by 22 per cent.

The chairman said that his "slight" rise in sales for the tenth successive year of record profits, provided the members in the City are proved wrong.

Mr. Kenny said that it seemed to him that "many persons in the City plus self appointed economic forecasters and quasi business federations are just talking the country into a recession." He deplored this negative thinking.

The group's cash balances continued to improve. In the last five years £8m had been spent on new fixed assets without depleting cash resources. Expenditure this year was expected to be £2m making £11m over a six-year period.

green (Holdings) in December. The net dividend is 0.25p, as reported July 4.

At year-end bank overdraft was £572,000 (£173,000) and loans amounted to £363,000 (£18,000). The change in the borrowing limit is for it to be raised from three to five times paid-up capital.

Mr. Evans says that the rationalisation of the enlarged group is almost complete and the results for the coming year should reflect this progress. Part of the changes include the transfer of the operating subsidiaries to a holding company to be called Exclusive Cleaning Group.

The existing management services company has been expanded to provide facilities for customers as well as in-house. As part of the developing financial services, provided by Brengreen a plant and vehicle leasing subsidiary is to be set up, the chairman adds.

Meeting, Great Eastern Hotel, EC, on August 20 at 11 am.

Payment will be made over the next three years either in cash or 25 per cent cash and the balance in Brengreen shares.

For the year to March 31, 1979, Brengreen showed taxable profit of £265,000 (£30,000) following the reverse takeover of Exclusive Cleaning (Holdings) and Brengreen (Holdings) in December.

The net dividend is 0.25p, as reported July 4.

At year-end bank overdraft was £572,000 (£173,000) and loans amounted to £363,000 (£18,000). The change in the borrowing limit is for it to be raised from three to five times paid-up capital.

Mr. Evans says that the rationalisation of the enlarged group is almost complete and the results for the coming year should reflect this progress. Part of the changes include the transfer of the operating subsidiaries to a holding company to be called Exclusive Cleaning Group.

The existing management services company has been expanded to provide facilities for customers as well as in-house. As part of the developing financial services, provided by Brengreen a plant and vehicle leasing subsidiary is to be set up, the chairman adds.

Meeting, Great Eastern Hotel, EC, on August 20 at 11 am.

Payment will be made over the next three years either in cash or 25 per cent cash and the balance in Brengreen shares.

For the year to March 31, 1979, Brengreen showed taxable profit of £265,000 (£30,000) following the reverse takeover of Exclusive Cleaning (Holdings) and Brengreen (Holdings) in December.

The net dividend is 0.25p, as reported July 4.

At year-end bank overdraft was £572,000 (£173,000) and loans amounted to £363,000 (£18,000). The change in the borrowing limit is for it to be raised from three to five times paid-up capital.

Mr. Evans says that the rationalisation of the enlarged group is almost complete and the results for the coming year should reflect this progress. Part of the changes include the transfer of the operating subsidiaries to a holding company to be called Exclusive Cleaning Group.

The existing management services company has been expanded to provide facilities for customers as well as in-house. As part of the developing financial services, provided by Brengreen a plant and vehicle leasing subsidiary is to be set up, the chairman adds.

Meeting, Great Eastern Hotel, EC, on August 20 at 11 am.

Payment will be made over the next three years either in cash or 25 per cent cash and the balance in Brengreen shares.

For the year to March 31, 1979, Brengreen showed taxable profit of £265,000 (£30,000) following the reverse takeover of Exclusive Cleaning (Holdings) and Brengreen (Holdings) in December.

The net dividend is 0.25p, as reported July 4.

At year-end bank overdraft was £572,000 (£173,000) and loans amounted to £363,000 (£18,000). The change in the borrowing limit is for it to be raised from three to five times paid-up capital.

Mr. Evans says that the rationalisation of the enlarged group is almost complete and the results for the coming year should reflect this progress. Part of the changes include the transfer of the operating subsidiaries to a holding company to be called Exclusive Cleaning Group.

Howard Machinery rises £208,000 at six months

INCLUDING a reduced loss from associates of £23,000 against £118,000, Howard Machinery, farm equipment group, turned in much higher taxable profits of £369,000 for the half year ended April 30, 1979 compared with a previous £181,000.

Sales went ahead from £34.67m to £38.98m.

Profits for the 1977-78 year recovered from £1.5m to £2.38m—a record £4.6m was achieved in 1978-79.

The net interim dividend is increased from 0.55p to 0.58p per 25p share, last year's final being 0.57p.

There is no tax charge at the six months stage. The attributable balance came out at £484,000 (£26,000) after crediting minority losses of £125,000 (£25,000 debt).

comment Howard Machinery has been suffering from the chronic malaise in worldwide demand for agricultural machinery which has plagued manufacturers since the mid-1970s. Pre-tax profits have more than doubled for the six months period to £2.38m, but this is not necessarily because of the upturn in sales, which amounted to 12.4 per cent.

Rather, the increase in profits reflects a reduction in wage costs and a reorganisation of production. Howard closed its Ipswich and Washington New Town factories last year, laying off over 600 workers and slim-

ming its entire operation. The company is still in a recovery phase, but cannot be very pleased with its cash flow. Thus, the interim dividend has been maintained at the gross level having been cut in 1978. The yield stands at 8 per cent on a share price of 23p. Profits will probably be marginally higher at £2.4m indicating a prospective p/e of roughly 7.1. Howard has done well to reduce its wage expenditure amid lagging sales.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interim or final and the sub-divisions shown below are based mainly on last year's timetable.

TODAY
Lancashire-Albion, Bank Leumi (UK), City and Foreign Investment, Concord Refractories, Farnham and Colonial Investment Trust, Gilbey Brothers Discount, Y. J. Lovell, M. Mole, Moorfields Trust, Northern Industrial Investment Trust, VACE.

Finals—Braithwaite, Crossfields Trust, Harold Ingram, Stanhope General Investment, Stock Conversion and Investment Trust, Wyndham Engineering.

FUTURE DATES
Innovations—Grindlays Holdings—July 31
Finals—Grindlays Holdings—Aug. 7
Bristol Evening Post—Aug. 7
Langston Bourne End—July 27
Phoenix Timber—Aug. 9
Langston Transport—Aug. 9
Symonds Engineering—July 26

but the real problem is that it is difficult to forecast how international demand for agricultural machinery will look over the next twelve months. If the current dearth of demand continues, this could be worrying for Howard.

Ladies Pride ahead

FOR the six months ended May 31 1979 the directors of Ladies Pride Outerwear report an advance in pre-tax profits from £451,197 to £507,544 on turnover of £3.79m against £3.15m.

Profits for the whole of the previous year reached a record £1m (£982,000) and the directors were optimistic that the company would continue to progress in performance and profits.

First half earnings are shown as 3.5p (3.19p) per 20p share and the net interim dividend is effectively raised to 1.5p (0.7917p).

The directors state that given reasonable trading conditions they intend to maintain the same increase in the final payment.

Tax for the period took £284,000 (£235,580) leaving a net profit of £223,544 (£215,617).

Rosgill on target with £1.13m and pays 2.31p

IN LINE with the midway forecast of not less than £1m, Rosgill Holdings turned in taxable profits of £1.13m in the year to May 28, 1979, compared with £815,077 last time. In the previous two years, there were losses totalling £717,000.

Following the return to interims in January, a final of 1.58p is now recommended, making 2.31p. No payments had been made in the previous three years.

At midway, the surplus was 256 per cent higher at £720,000 (£302,000).

The directors of this clothing distributor now say they are cautiously optimistic for the current year, budgeting further improvements in turnover and profit.

Turnover for the year rose from £16.2m to £22.87m. Tax took £94,545—there was no charge last time. Stated earnings per 5p share are well up at 10.8p (3.3p).

comment Rosgill had already forecast something over £1m pre-tax for the year so there were few surprises in the recovery to 1973 profit levels. After a long period of unsuccessful diversification, the group is now sticking to its original last and the benefits of higher consumer spending, faster stock turn, increased sales staff and better cash collection come through to a 41 per cent turnover improvement, in which the

volume increase was probably worth around 25 per cent. The shares climbed 1p yesterday to 35p where the fully taxed historic p/e is 6.3 and the restored net dividend yields 9.9 per cent. That looks fair enough but the outlook for the retail clothing trade this year is shrouded by many uncertainties and the group would probably admit that, after so many self-inflicted wounds, three or four years of solid earnings growth are needed before investment credibility is fully restored.

There should be more to come from the Dutch operation this time after a year which absorbed heavy movement and recruitment costs but, for the cautious, there are probably equal or better returns elsewhere at low risk.

Revenue of Crescent Japan Investment Trust rose sharply from £92,129 to £217,643 for the first half of 1979 subject to tax of £113,174, against £47,907.

Earnings per 50p share are shown as 1.687p compared with 0.706p. There is no dividend payment—none have yet been paid.

Holders of 468,338 ordinary shares subscription warrants exercised their rights on June 30, 1979, resulting in an issue of 468,338 shares at 100p per share.

comment The net asset value, at 176.4p (234.3p) has been adjusted for this.

For the 24 weeks ended 16 June, 1979, Cadbury Schweppes (SA) has increased its turnover by 15.6 per cent to £13.1m, and its profit before tax by 50 per cent to £837,000. Earnings rose from 8.1 cents to 11.6 cents and the interim dividend is stepped up from 4 cents to 5 cents.

Profits are cyclical, with the bulk being earned in the second half. This year the higher fuel, packaging and materials prices will have a heavy impact on costs, but unless trading conditions deteriorate, second half earnings should at least equal the 1978 figure of 27.2 cents.

The company is the 66 per cent-owned South African subsidiary of Cadbury Schweppes. Helped by this year's longer and hotter summer, real profit increases came from the soft drinks division. On the confectionary side, profits were also higher, though this was largely the effect of a timing difference in expenditure which will be absorbed in the second half.

Revenue of Crescent Japan Investment Trust rose sharply from £92,129 to £217,643 for the first half of 1979 subject to tax of £113,174, against £47,907.

Earnings per 50p share are shown as 1.687p compared with 0.706p. There is no dividend payment—none have yet been paid.

Holders of 468,338 ordinary shares subscription warrants exercised their rights on June 30, 1979, resulting in an issue of 468,338 shares at 100p per share.

comment The net asset value, at 176.4p (234.3p) has been adjusted for this.

For the 24 weeks ended 16 June, 1979, Cadbury Schweppes (SA) has increased its turnover by 15.6 per cent to £13.1m, and its profit before tax by 50 per cent to £837,000. Earnings rose from 8.1 cents to 11.6 cents and the interim dividend is stepped up from 4 cents to 5 cents.

Profits are cyclical, with the bulk being earned in the second half. This year the higher fuel, packaging and materials prices will have a heavy impact on costs, but unless trading conditions deteriorate, second half earnings should at least equal the 1978 figure of 27.2 cents.

The company is the 66 per cent-owned South African subsidiary of Cadbury Schweppes. Helped by this year's longer and hotter summer, real profit increases came from the soft drinks division. On the confectionary side, profits were also higher, though this was largely the effect of a timing difference in expenditure which will be absorbed in the second half.

Brengreen expects growth: further acquisitions

A FURTHER rise in profits is forecast for Brengreen (Holdings), cleaning and maintenance group, for 1979-80, by Mr. David Evans, the chairman. The company, formerly Empress Services (Holdings), also proposes to raise its borrowing limit to £5m on existing capital.

Meanwhile it has acquired two private painting, decorating and building maintenance businesses, known as Rowe Decorations (London) and Rowe Decorations of Kensington. The deal involves the purchase of fixed assets for some £40,000, but the principal assets are the benefits of several contracts for which the consideration will be a maximum of £10,000 based on twice pre-tax profits for the current. Present turnover approaches £1m.

Payment will be made over the next three years either in cash or 25 per cent cash and the balance in Brengreen shares.

For the year to March 31, 1979, Brengreen showed taxable profit of £265,000 (£30,000) following the reverse takeover of Exclusive Cleaning (Holdings) and Brengreen (Holdings) in December.

The net dividend is 0.25p, as reported July 4.

At year-end bank overdraft was £572,000 (£173,000) and loans amounted to £363,000 (£18,000). The change in the borrowing limit is for it to be raised from three to five times paid-up capital.

Mr. Evans says that the rationalisation of the enlarged group is almost complete and the results for the coming year should reflect this progress. Part of the changes include the transfer of the operating subsidiaries to a holding company to be called Exclusive Cleaning Group.

The existing management services company has been expanded to provide facilities for customers as well as in-house. As part of the developing financial services, provided by Brengreen a plant and vehicle leasing subsidiary is to be set up, the chairman adds.

Meeting, Great Eastern Hotel, EC, on August 20 at 11 am.

Payment will be made over the next three years either in cash or 25 per cent cash and the balance in Brengreen shares.

For the year to March 31, 1979, Brengreen showed taxable profit of £265,000 (£30,000) following the reverse takeover of Exclusive Cleaning (Holdings) and Brengreen (Holdings) in December.

The net dividend is 0.25p, as reported July 4.

At year-end bank overdraft was £572,000 (£173,000) and loans amounted to £363,000 (£18,000). The change in the borrowing limit is for it to be raised from three to five times paid-up capital.

Mr. Evans says that the rationalisation of the enlarged group is almost complete and the results for the coming year should reflect this progress. Part of the changes include the transfer of the operating subsidiaries to a holding company to be called Exclusive Cleaning Group.

The existing management services company has been expanded to provide facilities for customers as well as in-house. As part of the developing financial services, provided by Brengreen a plant and vehicle leasing subsidiary is to be set up, the chairman adds.

Meeting, Great Eastern Hotel, EC, on August 20 at 11 am.

Payment will be made over the next three years either in cash or 25 per cent cash and the balance in Brengreen shares.

For the year to March 31, 1979, Brengreen showed taxable profit of £265,000 (£30,000) following the reverse takeover of Exclusive Cleaning (Holdings) and Brengreen (Holdings) in December.

The net dividend is 0.25p, as reported July 4.

At year-end bank overdraft was £572,000 (£173,000) and loans amounted to £363,000 (£18,000). The change in the borrowing limit is for it to be raised from three to five times paid-up capital.

Mr. Evans says that the rationalisation of the enlarged group is almost complete and the results for the coming year should reflect this progress. Part of the changes include the transfer of the operating subsidiaries to a holding company to be called Exclusive Cleaning Group.

Scottish & Newcastle Breweries Limited

Some improvement as new investment and reorganisation take effect.

Extracts from the Statement by the Chairman, Peter Balfour.

Group operating profit was up by 7% and profit before tax showed only a marginal increase though profit after tax was down. This relatively flat performance nevertheless contains some hopeful signs. After being down at the half year there was a much better performance in the second half, during which operating profits were 14% up, despite delay in applying a price increase until the end of February. Hotels, managed public houses, and wines and spirits all showed good increases. Beer wholesaling started to reverse the trend of the last two years and made up much of the ground lost during the first half.

BEER WHOLESALING

After being over 4% down in volume at the half year, beer sales ended the year 1.3% down. March and April were better months. We began to regain our market share and this trend has been continued in the current year. The recovery has been noticeable in all our brands, but we are particularly pleased with the progress of McEwan's Lager.

BREWING AND PACKAGING

A new primary warehouse at Fountain Brewery has been completed. At Tyne Brewery work has started on the first phase of a new bulk packaging line and associated primary warehousing due to be completed in 1981. A temporary line to handle bulk packages of bright beer is now in use. With the completion of the Tyne Brewery packaging, and the acquisition of the Harp breweries at Edinburgh and Manchester, much of the first phase of renewing and modernising our brewing, packaging and distribution facilities will have been completed.

HOTELS

Hotels have increased their profits by 40%. This good performance, which owes as much to improved management and marketing as to new units, has encouraged us to make major alterations and extensions to a number of hotels. We are currently looking for further opportunities in the hotels field.

MANAGED PUBLIC HOUSES

Profits in our own managed houses have

RESULTS AT A GLANCE

	1979	1978
Profit before taxation	£38.7m	£35.4m
Earnings per share	8.5p	10.0p
Ordinary dividends	£11.2m	£9.7m
Profit retained	£12.6m	£12.5m

increased by 24% in spite of the effects of very bad weather in January and February. We are now feeling the full benefits of the 1977 reorganisation of the public house management structure.

WAVERLEY VINTNERS

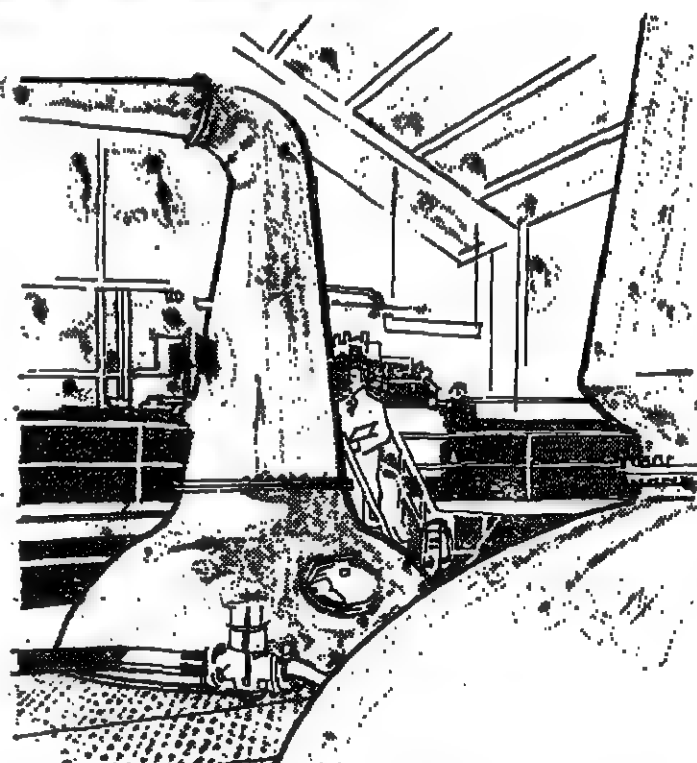
Waverley Vintners again produced record results, which would have been better but for difficulties with exports caused by the national transport strike.

HARP

The proposed restructuring of the Harp consortium will mean that we have converted our stake in Harp Lager Limited into assets that give us adequate modern brewing capacity for the next decade. We have maintained our ability to brew and sell Harp brands, which form so important a part of our portfolio, and we have gained the flexibility in our marketing arrangements that will enable us to act freely in the lager market.

REORGANISATION

The organisational changes described last year are now virtually complete. At that time I said that it would take eighteen months to two years for the full effect to be felt. This is still true, but I believe it is fair to claim that some effects are already showing, and the better performance in the second half reflects a better service to our customers and an increase of confidence on the part of all our staff. There is still a long way to go and a reconstruction of this magnitude is costly, but everyone in the Company is now convinced that we are much better able to meet the challenge of the very fierce competition which is likely in the brewing industry in the immediate future. Capital expenditure to modernise, improve, and expand the Company will be of much the same level as in the last two years, and we have adequate facilities.



THE FUTURE

The recent budget changes, which combined increased spending power with higher indirect taxes, high interest rates, and the promise of further inflation, have made the short-term very difficult to predict. We are satisfied with the progress made by our hotels, managed public houses, and wine and spirit businesses, and in any reasonable economic climate they will continue to prosper. The major part of our profits still comes from beer wholesaling and the changes we have made are beginning to show results.

To: The Company Secretary, Scottish & Newcastle Breweries Limited, Abbey Brewery, Holyrood Road, Edinburgh EH8 8YS

Please send me your Annual Report & Accounts for 1979. (BLOCK CAPITALS please)

Name

Address



AUDREY HOUSE

Fly Place, London EC1

46,000sq. ft. of Air-conditioned Offices To Let

Sole Agents

Richard Ellis, Chartered Surveyors
64 Cornhill, London EC3V 3PS. Telephone: 01-283 3090

Richard Ellis

UK COMPANY NEWS

MINING NEWS

Anglo American set for another good year

BY KENNETH MARSTON, MINING EDITOR

AN AIR of confidence pervades the 70-page annual report of the Anglo American Corporation of South Africa mining, finance and industrial group. It looks back on a year—to March 31—when earnings climbed to a record R202m, equal to 90.2 cents (46.8p) per share, while the net asset value rose to 1,387 cents (704p) per share.

The Anglo group mines last year produced over 37 per cent of South Africa's gold, or 27 per cent of non-Communist world output. And the strength of the bullion price resulted in gold beating diamonds to become the group's largest contributor to investment income in the year to March 31. The market value of the portfolio at that date was R3,380m (£1,760m).

Gold provided 37 per cent of the total investment income compared with 30 per cent in the previous 15-month period. Diamonds contributed 28 per cent, industrial interests 17 per cent, finance 7 per cent and coal 6 per cent. Although the group's copper mines accounted for 12 per cent of world production of the metal, copper provided only

1 per cent of the group's investment income.

On the exploration side, Anglo has nearly completed its investigation of a small secondary uranium deposit in Namibia (South-West Africa) and will be taking a decision as to its viability next year. Further exploration is being done at other secondary uranium prospects in the country in the hope of proving a viable tonnage.

A preliminary feasibility study is to be made towards the end of this year at the Namoi low grade porphyry copper prospect in Fiji. The joint venture partners are Australian Anglo American, Cominac Rio Tinto of Australia, Preussag and Amstar.

An echo from the past is contained in the news that the drilling programme has been completed at the Erdfeld block, north of Free State Saaipplaas. A substantial tonnage of marginal grade gold ore has been indicated.

Back in 1949 a borehole put down on the Erdfeld farm by Free State Gold Areas assayed a phenomenal 56,106 inch-dwts. Alas, the phenomenon was

explained by a simple case of "sifting" (fraudulently adding gold to the ore samples before assay) and subsequent deflections of the borehole ED5 gave values of around only 200 inch-dwts.

● comment

Mining finance houses generally can be said to be in a long-term uptrend despite the current softening in base-metal prices after their recovery from depression levels. If Anglo's weakness is an over-exposure to South African political uncertainties, its strength is in its diversification of income sources, firm management and strong finances. Thus earnings from gold continue to advance while the market for diamonds has cooled and those of base-metals are uncertain. Industrial interests seem fairly well placed and the South African economy is in better shape than many others in the world. Anglo's profits should thus continue on a rising curve in the current year. At 333p the shares give a reasonable yield of just over 7 per cent for a company of this calibre.

Asarco seeing good recovery

ASARCO, one of the major U.S. base metals groups, yesterday emphasised the trend towards higher 1979 earnings in the North American industry with the announcement of a striking increase in second quarter profits.

In the three months to June net profits were \$88.37m (£29.7m) against a lowly \$2.2m in the same period of 1978, bringing income for the first half of the year to \$108.7m, a dramatic turnaround from a 1978 first half loss of \$8.8m.

The group's performance has been paralleled by Vestron Mines, the Greenland zinc-lead producer controlled by Cominco of Canada, whose first half net profits were \$314.6m (£54.9m), including \$133.7m from the June quarter, compared with 1978 first half deficit of \$758,000.

Vestron attributed its return to profits to higher shipments of zinc concentrates and the marked improvement of European metal markets. Whether Vestron's second half trading will be so successful is open to doubt. All prices have declined on the London Metal Exchange since the end of June.

But Mr. Charles Barber, the Asarco chairman, remains confident. "The outlook for the balance of 1979 is good," he said.

Partly this is because the group's facilities are working well, but Mr. Barber contended, "The outlook for metal markets, particularly for copper, lead and silver, remains firm, notwithstanding the apparent weakening in the U.S. economy."

● Kaiser Resources, the biggest of the Canadian coal producers, boosted second quarter net earnings by 38 per cent to \$516.9m (£83.3m) from \$372.2m in the same period of 1978. Metallurgical coal shipments were at a record 1.58m tons, 37 per cent higher than in the comparable period as steel production increased and competitors in Australia were hit by strikes.

● United Asbestos, the Ontario

and Quebec producer, had net income in the year to June of \$65.8m (£2.5m), slightly down on the \$67.1m earned in 1977-78.

Nervous SA gold shares market

Despite renewed firmness in the bullion price, which closed \$125 up at \$305½ per ounce—after having been above \$307 for the first time ever—South African gold shares were a nervous market yesterday. The Gold Mines index fell 2.5 to 161.8 and in ex-premium price form it was 1.0 down at 151.7.

Although the sharemarket in non-premium dollar prices has outpaced the rise in the gold price this year—the respective increases being 53 per cent and 35 per cent—shares have made a disappointing performance in recent times while gold has moved up to new peaks.

The bullion price is less dependent on physical demand than are prices of shares because the dollar price of the metal tends to be adjusted upwards to a large extent against the falling value of the dollar. Share prices need buying to sustain them and buyers have been put off by a general feeling that the bullion price is due for a reaction after its strong rise.

Taking a view that a setback in gold would be mirrored by a sharper movement in the more volatile sharemarket, buyers have been holding off. Ironically, perhaps the best tonic for the jaded sharemarket would be a sharp temporary reaction in the bullion price.

he subsequent recovery might well stimulate a fresh demand for shares which, even at their current levels, are offering temptingly high yields while dividends and earnings continue to rise.

Liberia set to expand iron ore output

THE Liberian Government is optimistic that a major expansion of its iron ore industry will be agreed by the end of the year with a Japanese consortium led by Kawasaki Steel, a senior Government official said.

The project at Wologial in Lofa County would require an initial investment of around \$500m (£217m) and would produce around 7m tonnes of fines of which Japan would absorb 4.8m a year.

An answer is expected from the Japanese consortium in October, and if the agreement is signed, building work would start six months later and the plant would come on stream within four or five years, the official said.

The scheme has been under discussion ever since 1970 but the original idea of investing \$2bn in a pelletising plant was dropped in 1973 when world prices for iron ore fell.

A second big expansion is being considered by the largest existing mining company, the Granges-Liberian-Bethlehem Steel joint venture company, Lamco. Their present mine at Nimba is expected to be exhausted during the next decade

and they are looking for alternative supplies, the official said.

Lamco is expected to decide by the end of the year whether to reopen the nearby Tokadeh mine which started in January, 1973 but closed again shortly after because of falling prices.

Tokadeh has proven reserves of 70m tonnes of soft ore with an FE content of 55.7 per cent, medium ore reserves of 23m tonnes and 66m tonnes of hard ore.

Two other projects are also being looked at by the Government, one at Putu and another at Ble Mountain. Putu is considered marginal but the Government is canvassing hard to find a developer for Ble where costs should be less than at Wologial.

Iron ore is extremely important to Liberia, accounting for 56 per cent of export receipts and 43 per cent of GDP. The world's fourth largest producer, Liberia was mining 23m tonnes a year until world prices fell. Last year it increased exports by 17.3 per cent. But what is worrying the Government is that, with rapidly rising fuel costs, their marginal iron ore deposits will no longer be commercial.

Bellambi in trouble

A POOR AUGURY for the financial fortunes of New South Wales south coast coal miners came yesterday when Bellambi Coal reported a \$A2.87m (£1.4m) pre-tax deficit for the year to June 30, reports John Rogers from Sydney.

There is no final dividend, so the greatly reduced interim of 10 cents (4.9p) becomes the company's only payout. Last year total payments were 40 cents on profits of \$A4.92m.

The main shareholder to suffer will be Consolidated Coal Fields of Australia, which holds 63 per cent of the capital.

Bellambi registered credits of \$A2.25m during the year because of investment allowances and trading stock adjustments. If these are included in the result, the deficit is pared down to \$A621,000.

The directors gave several reasons for Bellambi's disappointing performance, which failed to justify their earlier predictions that there would be an improvement in the second half after a small interim loss.

The reasons included increased costs and reduced washery recovery, continued imposition of the federal coal export duty, stoppages, breakdowns and shipping congestion at Port Kembla, and reduced saleable coal production because of prolonged strike action by maritime workers at Port Kembla.

The Congestion at the Port Kembla later led to the cancellation of sales valued at more than \$A6m in the last quarter of the year.

WESTERN MINING AT BENAMBRA

Further encouraging results are announced by Australia's Western Mining from drilling at its prospects near Benambra in Victoria. At the original Wilga prospect a 9 metre section of shale bore No. 28, running from 54.9m to 63.8m, has assayed a good 6.8 per cent copper with a low 0.6 per cent zinc and 32 grammes per tonne silver.

Nearby at the more recently discovered Currawong prospect hole No. 27 failed to find mineralisation. But hole No. 34,

100 metres to the east, cut 16.9m of mineralisation, from 137.2m to 154.1m, and assayed 1 per cent copper, 0.6 per cent lead, 2.8 per cent zinc and 36 grammes silver.

At the company's 75 per cent-owned Yeelirrie uranium project in Western Australia preparations have started for the construction of a metallurgical research plant near Kalgoorlie for testing the ore.

Whitbread optimistic as beer sales increase

MORE BEER is being sold by Whitbread and Co. than last year and based on trade in the first four months of the current year the brewing group is hoping for a reasonable result for the first six months.

Speaking at the AGM yesterday Mr. Charles Tidbury, the chairman, reminded holders that since the year end the group had endured bad weather, changes in VAT, disruptions at the Luton plant and a 55m loss in profit due to the Price Commission.

Despite all this the group was selling more beer than last year and achieving more than its share of the available trade. "We shall therefore do our best to catch up on our original profit plan for the current year," declared the chairman.

Whitbread does not intend to cut back on any of its capital commitments, which are extensive, particularly at the trading end. Expenditure is being increased to develop the Free Trade and there is a wide-ranging programme of pub building and improving, and developing the catering operations.

Mr. Tidbury reported that the larger market continued to grow

with Heineken and Stella Artois performing well. The recent introduction of Kaltenberg and Heldebrau had been well received by the trade.

Marked progress had also been made in the ale sector headed by Trophy-bitter and helped by the buoyancy of local brands, Freming Tusker, Pompey Royal and Welsh Bitter.

On group developments the chairman said that Chiswell Street had gone well and the first block was topped out last week. It was hoped to top out the second block in about a year.

New scheme from Scottish Equitable

A new pension scheme for executives has been launched by the Scottish Equitable Life Assurance Society aimed at providing the advantages of a privately invested scheme with the security offered under a life company scheme.

Under Erisford, the company

has to invest at least 50 per cent of the assets of the pension fund with Scottish Equitable under an Erisford policy. But the remaining 50 per cent can be invested in accordance with the terms of the trust deed, which includes lending back to the parent company.

This is the main benefit provided by such administration and is in line with the requirements of the Superannuation Funds Office of the Inland Revenue.

The services provided by Scottish Equitable under Erisford include the provision of actuarial reports and other actuarial advice, pensioner trustee services, full documentation and the insurance of death-in-service benefits and the provision of any annuities required. The company does not, however, after managing trustee services.

The scheme provides the usual range of executive pension and other benefits providing flexibility. The benefits can be protected against inflation by checking that the final salary figure is in line with prices. Pensions can be funded to increase at an agreed rate.

HOWARD MACHINERY LTD.

GROUP RESULTS FOR THE HALF-YEAR ENDED 30th APRIL 1979.

(Unaudited)

	6 months April 1979 £'000	6 months April 1978 £'000
SALES	38,977	34,470
OPERATING PROFIT	401	269
Share of profits and (losses) of associated companies	(42)	(118)
PROFIT BEFORE TAX	359	151
Losses (profits) before tax attributable to minority interests	125	(55)
PROFIT BEFORE TAX ATTRIBUTABLE TO SHAREHOLDERS	484	96
Dividends		
Years	Date of payment	Amount per share (net)
31 October 1978 Interim	2 Nov. 1978	0.55p
Final	2 Apr. 1979	0.57p
31 October 1979 Interim	1 Nov. 1979	0.58p

To maintain the same gross interim dividend, the net dividend has been increased to 0.58p per share. This takes account of the reduced tax credit (33% to 30%) and will be paid to shareholders on the register at 28 September 1979.



Sproughton, Ipswich, Suffolk IP8 3AE
Telephone: Ipswich (0473) 48621

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange and does not constitute an invitation to the public to subscribe for or purchase any shares.

CAPITAL RESERVE FUND LIMITED

(Incorporated as an investment company with limited liability in Guernsey under the Companies (Guernsey) Laws 1906 to 1973)

Application has been made to the Council of The Stock Exchange for all the Participating Redeemable Preference Shares of 1p each of Capital Reserve Fund Limited, issued and available to be issued, to be admitted to the Official List.

On 18th July, 1979 the value of the net assets of the Company was approximately £13.4 million and 1,283,962 Participating Redeemable Preference Shares were in issue or agreed to be issued.

Particulars of Capital Reserve Fund Limited have been circulated by Exel Statistical Services Limited and copies of such particulars may be obtained during usual business hours on any weekday (Saturdays and public holidays excepted) up to and including 31st August 1979 from:

Hambros Bank Limited,
41 Bishopsgate,
London EC2P 2AA.

Clive Investments Limited,
1 Royal Exchange Avenue,
London EC3V 3LU.

Grieson, Grant and Co.,
59 Gresham Street,
London EC2P 2DS.

25th July, 1979

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to any person to subscribe for or purchase any shares.

ST. GEORGE ASSETS LIMITED

(Incorporated under the Companies Act 1948 - No. 661944)

SHARE CAPITAL

Authorised £800,000 Ordinary Shares of 10p each Issued and fully paid £589,162.80

Application has been made to the Council of The Stock Exchange for re-admission to the Official List of 3,538,687 Ordinary Shares of 10p each, and for admission to the Official List of 2,352,941 Ordinary Shares of 10p each issued in connection with the acquisition of Security Centres (U.K.) Limited.

Particulars relating to the Company are available in the Statistical Service of Exel Statistical Services Limited and copies of such particulars may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 8th August, 1979 from:

Investment Intelligence Limited,
15 Christopher Street,
London EC2B 2PE.

Dennis Murphy, Campbell & Co.,
Finsbury House,
22 Blomfield Street,
London EC2M 7AS.

25th July, 1979

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to any person to subscribe for or purchase any shares.

Mercury Money Market Trust Limited

(A company limited by shares and incorporated in Jersey under the Companies (Jersey) Laws 1961 to 1968)

The authorised share capital of £30,100 is divided into 100 Founders' Shares of £1 each, all of which are fully paid, and 3,000,000 Unclassified Shares of 1p each of which at 23rd July, 1979 798,637 were in issue as Participating Redeemable Preference Shares and 84,834 as Non-Participating Redeemable Second Preference Shares.

Application has been made to the Council of The Stock Exchange for admission to the Official List of all the Participating Redeemable Preference Shares of 1p each of the Company issued and available to be issued. Particulars of the Company are available in the Exel Statistical Service and copies of such particulars may be obtained during business hours on any weekday (Saturdays excepted) up to and including 15th August, 1979 from:-

S.G. Warburg & Co. Ltd.
30 Gresham Street,
London EC2P 2EB

S.G. Warburg & Co. (Jersey) Ltd.
7 Library Place,
St. Helier, Jersey,
Channel Islands

25th July, 1979.

Hoare Govett Limited
Adas House,
1 King Street,
London EC2V 8DU

دكان من الأهل

BIDS AND DEALS

Bestobell rejects BTR and forecasts over £6m

Bestobell has produced a forecast of sharply higher profits for 1979 in a strongly worded document to shareholders setting out its reasons for continuing rejection of BTR's £25m bid, worth 100p a share.

"Assessments would be a cheap shot-out to BTR," the company says. Mr. Sandy Marshall, the former P and O managing director who is now the Bestobell chairman, predicts in the document that 1979 pre-tax profits will be "not less than 30 per cent higher than those for 1978."

Based on last year's figure of £5.82m, this will produce a total this year of more than £7.5m. The board is also proposing to pay a total dividend of 11p on the ordinary shares, up from last year's 9.55p. This will be more than adequately covered, despite the likelihood of a higher corporation tax charge in 1979, Bestobell says.

BTR undoubtedly sees Bestobell as offering a cheap growth story. Mr. Marshall adds in the document. He says the bid came just as the present redirection at Bestobell was resulting in increased growth and higher profits.

Increased investment has led to a rise in UK trading profits of 29 per cent a year since 1978, with domestic profits on a steady rising trend.

As a result, he notes, the decline over the same period in the share trading profits from Africa, from 21 per cent to 12 per cent of the group total, has been more than offset.

Both London Trust and Britannia say that their respective purchases are to be held as investments. A statement normally intended to indicate that a takeover bid is not on the cards.

London Trust's 4.75m shares in Britannia are worth £928,280 at Britannia's current price of 19.5p per share, while Britannia's 825,000 shares in West of England are worth £470,250 after the West of England shares rose 11p to 57p yesterday.

London Trust had net assets of £70m in the last balance sheet. It prides itself on its entrepreneurial philosophy, has established a policy of buying significant minority stakes in small companies. Three large institutions own 24 per cent of London Trust.

Britannia yesterday welcomed the London Trust stake. The investment trust had expressed confidence in the management of Britannia at a private meeting a week ago, said Mr. David White, secretary of Britannia. He was glad that the shares had gone to a friendly holder. London had told Britannia that it might

This year's profit improvement will be broadly based both geographically and industrially. Describing the bid an "opportunistic" one, Bestobell says it sees no commercial advantages for itself in the offer. BTR can add nothing to its manufacturing businesses and there will be little benefit from economies of scale.

In the higher technology end, BTR has no comparable expertise. Bestobell's international merchandising network, which last year accounted for 32 per cent of its sales, is "obviously a prime target for BTR."

See Lex

ICFC FUNDS FOR PLASTICS CONCERN

Industrial and Commercial Finance Corporation has provided £50,000 for three directors who have set up their own plastics company, Delta Polythene, in Flint, Chwyd. The company is already in operation on the Manor Farm Estate in Flint, extruding polythene film. The film is then converted into polythene bags on which is printed the name of the product and details of its weight, contents and price.

The ICFC funds take the form of a secured loan and a subscription for 25 per cent of the company's equity.

Property and Reversionary raises £7.77m

By Andrew Taylor
Property and Reversionary Investment Corporation has raised £7.77m through the sale of its 18.2 per cent stake in Property Holding and Investment Trust.

Property and Reversionary says that it will use part of the cash to fund future developments.

A spokesman for the company said that the shares had been placed with a wide number of institutions at 359p a share. In the market Property Holdings shares closed 8p lower at 367p. In the year to March 31, 1979 Property Holding earned pre-tax profits of £2.24m compared with £2m the previous year. According to the last accounts Pearl Assurance has a 15.3 per cent stake in the company and Prudential Assurance a 5.8 per cent stake.

Record profit by Wheeler's

RECORD PROFITS and an effective increase in dividend are announced by Wheeler's Restaurants for the year ended March 31, 1979.

	1978-79	1977-78
Turnover	6,050,361	5,200,114
Trading profit	754,091	641,330
Associated company	12,888	1428
Profit before tax	766,979	642,758
Tax	317,883	319,518
Net profit	449,096	323,240
Minorities	8,217	4,537
Attributable	440,879	318,703
Dividends	88,200	83,700
Reserves	352,679	235,003

Pre-tax profits increased from £640,902 to £767,560 on turnover of £6m compared with £5.2m and the directors are recommending a final dividend of 4.55p to make 5.88p, against equal to 4.25p previously. Earnings per share are shown as 29.84p against 21.15p.

First-half profits had risen from £317,260 to £383,860 but the Board had warned of a decline in growth in the second six months. Nevertheless an increase in full-year results was expected.

Mr. Bernard Walsh, chairman, now tells shareholders that the current strength of sterling is likely to have an adverse effect on trade which, coupled with rising costs will lead to a substantial reduction in profits in the current year.

But the Board is confident that any setback will be temporary and fully expects to maintain at least the new rate of dividend.

However, the Board, which had already warned of an appreciably lower first half profits, still hoped for an increase in sales and profits for the year.

Sir Harry stated that, as a whole, there was now a better chance than before of the mineral products group not only reaching but probably exceeding last year's record results. Prospects and developments in other products areas were roughly in line with previous expectations, he said.

The first quarter had been more difficult for Staveley than the directors had envisaged and the economy generally had not shown any signs of recovery. This had affected the company, particularly in foundry products and abrasives where the situation had been aggravated by the continuing hardening in the price of scrap.

A reappraisal had become necessary of both this division's management organisation and business strategy. Some doubt had also been created as to whether its profits will start

Tough start trims hopes at Staveley Industries

DETERIORATING trends in the foundry products and abrasive group have made the directors of Staveley Industries take an even more cautious view of the company prospects for 1979-80, Sir Harry Moore, the chairman, told the annual meeting.

However, the Board, which had already warned of an appreciably lower first half profits, still hoped for an increase in sales and profits for the year.

Sir Harry stated that, as a whole, there was now a better chance than before of the mineral products group not only reaching but probably exceeding last year's record results. Prospects and developments in other products areas were roughly in line with previous expectations, he said.

The first quarter had been more difficult for Staveley than the directors had envisaged and the economy generally had not shown any signs of recovery. This had affected the company, particularly in foundry products and abrasives where the situation had been aggravated by the continuing hardening in the price of scrap.

A reappraisal had become necessary of both this division's management organisation and business strategy. Some doubt had also been created as to whether its profits will start

recovering this year, Sir Harry explained.

In other divisions the benefits of certain recent investments which might have shown themselves during the first six months would not come through until later in 1979-80, he said.

DRILLING TOOLS IN MERGER TALKS

Drilling Tools North Sea, which specialises in the rental of drilling equipment mainly in the North Sea, is in discussions with a third party which could lead to an offer for the group.

The talks may lead to an offer being made for all the A and publicly held B ordinary shares.

The group said yesterday that if the discussions are successful "it is expected that the offer would be at a level considerably above the price for the B shares at which most recent transactions have taken place, namely 54p per share."

POM STAKE IN AMAL. ESTATES UP TO 9.25%

Property and Office Management, owned and controlled by Mr. Frank Phillips, has acquired

Profit increase at Sheffield Refreshment

From increased turnover of £1.38m against £1.15m, profits before tax of Sheffield Refreshment Houses improved from £180,263 to £219,837 in the year ended March 31, 1979.

Tax takes £106,426 (£73,295) leaving earnings per share at 6.35p compared with 5.99p. The net dividend is 1.62p, lifting the year's total from a single 1.836p to 2.29p.

Profits in the first six months had risen from £51,124 to £86,420 and the directors said that, in the light of the improved results and confidence that there would be a good half, they expected to recommend an increased dividend for the year.

London Trust buys 6.3% of Britannia Arrow

BY JAMES BARTHOLOMEW

London Trust, which invests in small companies, has bought a 6.3 per cent stake in Britannia Arrow Holdings, formerly Slater Walker Securities.

Britannia Arrow has bought a 5.24 per cent stake in West of England Trust, which owns the Tyndal group of unit trusts.

Both London Trust and Britannia say that their respective purchases are to be held as investments. A statement normally intended to indicate that a takeover bid is not on the cards.

London Trust's 4.75m shares in Britannia are worth £928,280 at Britannia's current price of 19.5p per share, while Britannia's 825,000 shares in West of England are worth £470,250 after the West of England shares rose 11p to 57p yesterday.

London Trust had net assets of £70m in the last balance sheet. It prides itself on its entrepreneurial philosophy, has established a policy of buying significant minority stakes in small companies. Three large institutions own 24 per cent of London Trust.

Britannia yesterday welcomed the London Trust stake. The investment trust had expressed confidence in the management of Britannia at a private meeting a week ago, said Mr. David White, secretary of Britannia. He was glad that the shares had gone to a friendly holder. London had told Britannia that it might

increase its stake to around 10 per cent if more shares came on the market.

On Britannia's ambitions regarding its purchase of the West of England stake, Mr. White said there was no present intention to bid. But Britannia was looking for a company to buy or might pick up several stakes before deciding what to acquire completely, he said.

SHARE STAKES
Associated Biscuit Manufacturers: W. A. Palmer and R. J. Palmer, directors, as trustees with Sir John Witt, have disposed of £2,585 shares.

Weston Board Mills: Mr. R. H. Vogel, chairman, sold 180,000 shares from his beneficial holding on July 20 and 23.

Marling Industries: Mr. Peter E. J. Held, director, has sold 60,000 shares.

FRIC Development Trust has bought 10,000 shares making holding 7,411,373 shares.

Geveor Tin Mines: Including shares taken up in respect of rights allocated on its existing shareholding, Union Corporation Group has acquired a further 127,480 ordinary. The total interest of the group is now 489,780 ordinary (16.47 per cent).

Boustead: A. Charton, chairman, has acquired a further 90,000 shares and now has a beneficial interest in 290,000 shares.

Has your Pension Fund performance met your actuarial requirements?

The investment return on your pension fund is a crucial factor in determining the real cost of providing pensions. If your pension fund is invested in an Exempt Unit Trust or an Insurance Company Managed Pension Fund or if you are advising clients in this area, the best aid to making decisions and monitoring performance is the Survey of Pooled Pension Funds.

The Survey contains comprehensive performance details of over 130 tax-exempt equity, fixed interest, property and mixed funds and of all the main market indices. Details of each fund's investment policy, charges and portfolio breakdown are included in a separate 'profile' for each fund.

The latest copy of the Survey, updated to 30th June 1979, is now available at a cost of £50 from Harris Graham & Partners, 30 Queen Anne's Gate, London, SW1H 9AW 01-222 8033

PENSION FUND PERFORMANCE

If you are involved with a segregated pension fund, Harris Graham, provides a tailor-made service which compares your own fund's performance with that of similar pension funds on an up-to-date and consistent basis.

HIGHEST RATE EVER FROM THE HALIFAX

From August 1st the Halifax Building Society introduces a 5 year Term Share at a guaranteed premium of 2% above the Paid-Up Share rate (which is variable). This means that the initial rate will be 10.75% net, which is equivalent to 15.36% gross if you pay income tax at the basic rate of 30%.

Ask your local branch or agency for full details (see Yellow Pages).

HALIFAX

THE BIGGEST BUILDING SOCIETY IN THE WORLD.

ALLEN HARVEY & ROSS INVESTMENT MANAGEMENT LTD.	
43 Cornhill, London EC3V 3PB. Tel. 01-632 6314.	
Index Guide as at July 19, 1979	
Capital Fixed Interest Portfolio	116.15
Income Fixed Interest Portfolio	105.00

"British Gas has had another successful year. We have repaid to the National Loans Fund over £1¼ billion over the past three years. We expect to remain self-financing, taking one year with another, despite further substantial investment in developing the nation's energy resources. Gas remains highly competitive and, despite inevitable price increases in the future, I am confident that it will remain the best buy in the premium energy market."

Sir Denis Rooke, Chairman of British Gas, reporting on the 1978/79 results.

Pre-tax profits were £360.7 million

Higher profits last year were largely due to:-

1. Increased sales of gas because of colder weather.
2. Lower interest charges through early repayment of debt.
3. No write-off of conversion costs and displaced plant—the write-off of these items was completed in 1977/8.

Early redemption of £632 million of loans from National Loans Fund

...in addition to scheduled repayments of £88 million, thus helping to reduce the Public Sector Borrowing Requirement. Over £1¼ billion has been repaid to Government over the past 3 years.

Interest charges reduced by a further £51.5 million to £81.9 million

This compares with interest charges of £186.6

million in 1976/77. Lower interest charges reduce the total cost of operations, thus benefiting gas customers now and in the future.

100% self-financing

Over the past 3 years the Corporation has funded some £680 million of capital expenditure from its own resources. Investment in the further development of the nation's energy economy amounting to some £1¼ billion over the next 5 years is planned.

Over 360,000 new customers

...bringing to almost a million the number of new customers connected to the gas supply system over the past 3 years.

BRITISH GAS

ITALIAN MOTOR INDUSTRY

Strikes hamper earnings growth at Fiat

BY RUPERT CORNWELL IN ROME

Fiat's 1978 earnings rose 15 per cent in net first-half sales to 1,173,118m (1978: 1,019,118m). But Italy's largest private industrial group, and biggest motor manufacturer, was prevented by strikes and labour unrest from cashing in on what may prove to be a short-lived improvement in economic conditions.

This was made emphatically clear in a letter to shareholders yesterday from Sig. Giovanni Agnelli, Fiat chairman, reporting on the Turin group's performance in the first half of 1979.

According to Sig. Agnelli, the

bitterly fought run-up in the national wage-agreement covering Italy's 1.5m metalworkers cost Fiat 11m hours of lost labour. As a result domestic output of Fiat, Autolancia and Lancia cars rose only 1.6 per cent in the first half of 1979, to 713,000 units, a rate "utterly inadequate" to match the growth of the Nissan and International markets.

World-wide sales by the Fiat group, including Lancia and Autolancia, rose 9.8 per cent from the same period of the previous year to 890,000 vehicles.

Fiat's own share of the domestic Italian market,

"heavily penalised by a lack of available popular models," nonetheless climbed to 48.5 per cent from 45.8 per cent a year earlier. But Lancia and Autolancia accounted for only 6 per cent of Italian sales, against 7.5 per cent.

On a sector-by-sector breakdown, Fiat's car sales rose to 1,371,717m from 1,155,118m, agricultural vehicles to 1,452m (1,281m), steel products to 1,690m (1,686m) and components also to 1,690m (1,594m).

At the same time, the group's central financial position has improved, as a result of the restructuring which from the start of 1979 saw Fiat Spa be-

come a holding company controlling separate companies looking after the various activities of the group.

The net surplus of Fiat Spa at June 30, 1979, stood at 1,146,539m compared with 1,690m at the end of 1978. The increase of 1,975m had enabled a significant growth of intra-group financing, and a cut in medium and long-term indebtedness.

Sig. Agnelli warned that the intensifying energy crisis, bringing with it both shortages and higher prices for oil, meant that the recent period of strong demand for cars in Europe was unlikely to occur again for some

while. In particular the current problems over diesel fuel supplies could jeopardise the prospects for heavy vehicles.

To strengthen itself for the tougher times ahead, Fiat was stepping up its efforts to lift car output of the group to over 2m units per year. This strategy lay behind the deal with SEAT in Spain and the ten-year agreement with Poland reached last month.

At the same time, the group's goal was to cut average petrol consumption by Fiat cars by a further 10 per cent in the next few years, after a reduction of that size in the previous decade.

AEG to cut gas turbine operation

By Roger Boyes in Bonn

AEG Telefunken, the West German electrical group, has announced the first major cut-back in its new restructuring programme which is aimed at returning the troubled concern to profitability in the 1980s. The move involves a radical scaling down of the Essen works of AEG-Kanis, a wholly-owned subsidiary specialising in gas turbine production.

Herr Walter Cipa, AEG chief executive, recently announced losses of DM 337m (\$188m) for 1978 and said that restructuring would be carried out in some of the group's weaker divisions.

Under the new measures, the Essen works' labour force will be reduced by 1,300, leaving 200 who will operate a gas turbine servicing unit. Some of the redundant workers will be offered employment at other AEG works, including the AEG-Kanis steam turbine division in Nuremberg. AEG has promised to leave the Nuremberg side of operations untouched in the latest restructuring moves.

The current restructuring moves, which have also included a slight cut-back in the West German factory, come after several years' problems and indeed several attempts to rationalise the group. AEG has lost money in three out of the past five years and looks unlikely to pay a dividend much before 1981.

French state shipping line maps out long-term rescue plan

BY TERRY DODSWORTH IN PARIS

THE MAIN features of a long-term rescue plan for Compagnie Generale Maritime, the French state-owned shipping line, have now been worked out with the government following a loss of almost FFr 400m (\$91m) last year.

The aim of the plan is to bring the company back into profit by 1983.

CGM came into being in 1973 with the merger of Compagnie Generale Transatlantique and Compagnie des Messageries Maritimes, with the state owning 97 per cent of the capital. Since then losses have been mounting steadily, to a net figure of FFr 383m last year.

On a turnover of FFr 2.4bn compared with FFr 2.3bn in 1977. This year it will be in deficit again, though it is hoping

for a slightly lower figure.

The programme of action worked out with the government is less draconian than was feared earlier in the year, but at the same time the Government has given the company only 18 months to see it works.

Cost savings of about FFr100m are to be generated mainly by cutting the size of the fleet and the workforce, although the company has also promised some productivity improvements.

In return for the shake-up in the management of the company, the Government has made three main commitments.

To begin with it will give the management freedom of decision over the ships it buys and sells, the services it runs and the tariffs it charges.

Secondly, the rate of subsidy to the company will be stepped up in order to reduce indebtedness and put the balance-sheet on a sounder footing.

Finally, the government will also be covering the statutory charges inherited from the initial partners in the merger. These involve payments for pensions, accidents and so on, and will be subsidised to the tune of FFr 53.3m this year and FFr 59.3m in 1980.

The company believes that this programme will be sufficient to bring it back into profits as long as the depression in shipping does not deepen. The rise in oil prices, it says, has put up operating costs considerably, but it has compensated for this to some extent by reducing the speed of its ships.

Italian chemical group halves losses

BY OUR ROME CORRESPONDENT

ANIC, the chemical subsidiary of the ENI hydrocarbons group, yesterday reported a rise of 48 per cent in consolidated sales for the first six months of 1979, coupled with a halving of the 1,115m (\$140m) losses registered in the same period of last year.

At the same time, however, the ANIC board described as

still "highly unsatisfactory" the performance of some of its subsidiaries especially in the fibres sector—the epicentre of the crisis affecting the entire Italian chemical industry.

Group sales in the first half rose to 1,102m (\$138m), of which 1,650m was accounted for by ANIC itself, and 1,452m by associated companies. The im-

provement reflected both higher prices and higher sales volumes.

Base chemicals showed the biggest gain, of 122 per cent to 1,260m, followed by plastics and related products (up 48 per cent). But ANIC warned that the higher costs of its petroleum-based raw materials had already started to slow down expansion.

Lufthansa five-month progress

By Our Financial Staff

AN INCREASE in revenues for the first five months of this year is reported by Deutsche Lufthansa. Prospects remain positive, the West German airline declares.

The temporary grounding of 11 DC-10 long-range airliners is not likely to significantly affect 1979 earnings, Lufthansa explains in a prospectus published for the admission of new shares to German stock exchanges. While the grounding of DC-10s had caused some losses, these had been at least partly balanced by a better capacity utilization of other long-range aircraft.

In the first five months of 1979, Lufthansa's gross revenue from air transport rose 15.6 per cent to DM 1,790m from DM 1,550m in the year-earlier period. Revenue from passenger transport rose 16.5 per cent, freight was up 15.5 per cent but mail transport fell 6.8 per cent. In 1978, Lufthansa registered a net profit of DM 42.5m (\$23.4m) against DM 33.7m in 1977. A dividend of DM 3.50 per share was paid last year.

The Federal and state governments hold about 82.16 per cent of the airline's stock. The rest is in the hands of private investors.

French mail order house sees upturn

By David White in Paris

LA REDOUTE, the French mail order and retail business, is counting on a 14 to 15 per cent increase in sales this year and a recovery in profits.

Shareholders at the annual meeting at Roubaix in northern France, where the group is based, were told that on current trends parent company sales should rise by at least 14 per cent and net earnings by 5 to 10 per cent in the year ending on February 29. This compares with a slight drop in last year's profit to FFr 44m (\$10.4m).

At group level, where net profit fell 4 per cent last year to FFr 39.1m, sales growth was expected to be slower than last year's rate of almost 19 per cent. But profits were likely to improve at a comparable rate of 14-15 per cent. Group sales in 1978-79 were FFr 3,92m, of which the parent company accounted for FFr 3.1bn.

Investments are being stepped up to between FFr 60m and FFr 70m in the current year from FFr 45m, and an equivalent amount is expected to be spent in 1980-81. La Redoute is expanding its retail interests with a second and a third department store in the Paris suburbs.

This announcement appears as a matter of record only.



Catalana de Gas y Electricidad, S.A.

US \$50,000,000

Multi-Currency Term Financing

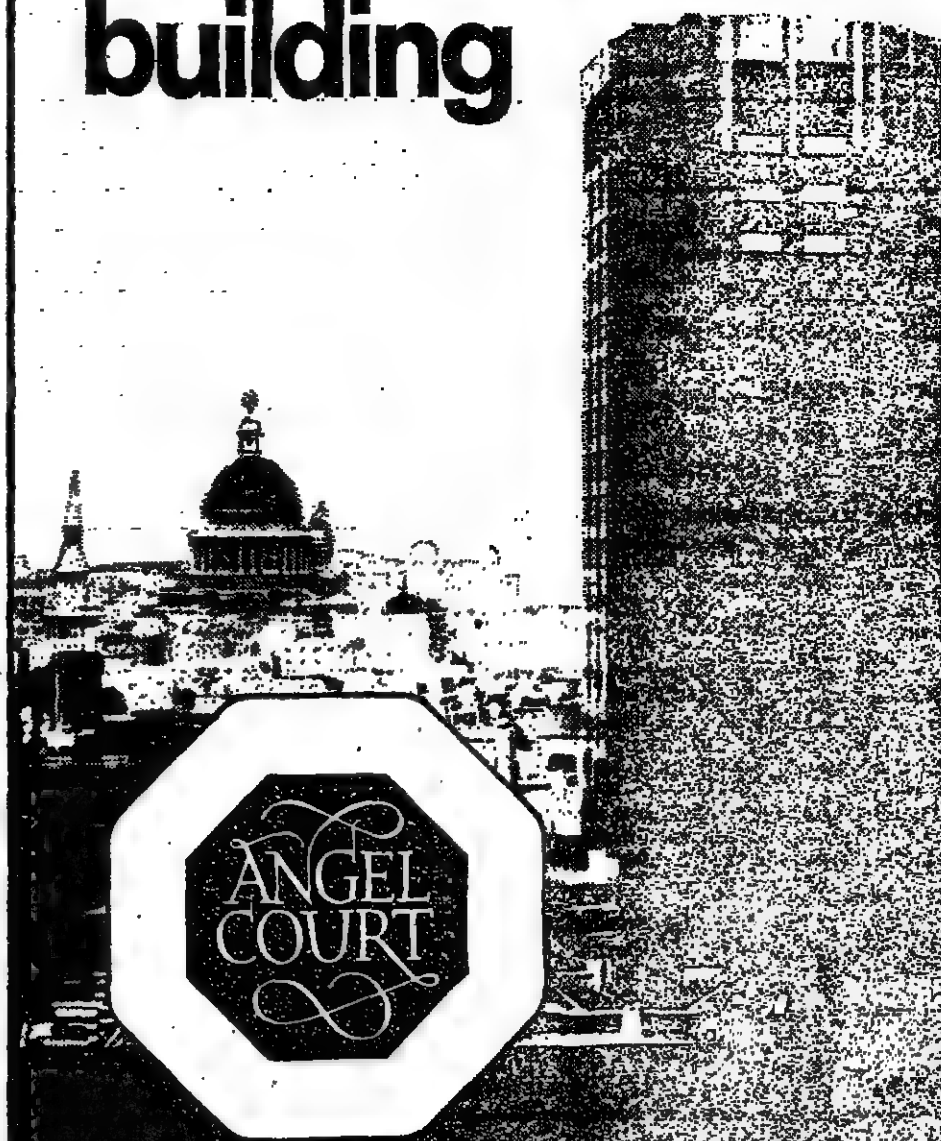
Managed by:

Banca Mas Sarda
BankAmerica International Group

Co-Managed by:

Banco de Londres y América del Sur
(a member of the Lloyds Bank Group)
Banque Bruxelles Lambert S.A.
Citicorp International Group
Crédit Lyonnais
Midland Bank Limited

Provided by:

Bank of America NT & SA
Banco de Londres y América del Sur
(a member of the Lloyds Bank Group)
Banque Bruxelles Lambert S.A.
Citibank (Channel Islands) Limited
Crédit Lyonnais
Midland Bank Limited
Bank of Montreal
The Tokai Bank Limited
The Tokyo Trust and Banking Company, Limited
The Bank of Yokohama Limited
Bankers Trust Company
Canadian Imperial Bank of Commerce
Deutsche Bank
Compagnie Financière Luxembourg
First Pennsylvania Bank N.A.
Gulf International Bank B.S.C.Banca Mas Sarda, S.A.
Banco Comercial para América S.A.
(AMERIBANK)
Banque Internationale pour l'Afrique Occidentale
Barclays Bank S.A., Paris
Fuji Bank (Schweiz) AG
Genossenschaftliche Zentralbank AG, Vienna
The Hokkaido Takushoku Bank, Limited
International Commercial Bank Limited
International Resources and Finance Bank S.A.
The Royal Bank of Canada (France) S.A.
Bank Bumiputra Malaysia Berhad
Banque Commerciale pour l'Europe du Nord (Eurobank)
Clydesdale Bank Limited
Credito Italiano, London
International Trade and Investment Bank S.A.
(ITIB)Agent:
BANK OF AMERICA
INTERNATIONAL LIMITEDOffices To Let
in this fine City
building

One Angel Court, London EC2

A splendid new office centre at the very heart of the Banking and Financial district of the City of London.

Last few tower floors available

- ☐ Fully air conditioned
- ☐ Attractive short leases
- ☐ Fitted out to tenants requirements
- ☐ Each floor 6,100 sq. ft. — free service

Weatherall
Green & Smith

Chartered Surveyors

24 Austin Friars London EC2V 2EN Tel: 01-638 9011



THE KYOWA BANK, LIMITED

Negotiable Floating Rate U.S. Dollar
Certificates of Deposit
Maturity date 26th July 1982

In accordance with the provisions of the Certificates of Deposit notice is hereby given that for the initial six-month interest period from 25th July 1979 to 25th January 1980 the Certificates will carry an Interest Rate of 11 3/4% per annum.

Agent Bank
Hill Samuel & Co. Limited,
London



THE SAITAMA BANK, LTD.

Negotiable Floating Rate U.S. Dollar
Certificates of Deposit
Maturity date 26th January 1981

In accordance with the provisions of the Certificates of Deposit notice is hereby given that for the six-month interest period from 25th July 1979 to 25th January 1980 the Certificates will carry an Interest Rate of 11 3/4% per annum.

Agent Bank
Hill Samuel & Co. Limited,
London

INVEST IN 50,000 BETTER TOMORROWS!

50,000 people in the United Kingdom suffer from progressively paralysing MULTIPLE SCLEROSIS—the cause and cure of which are still unknown—HELP US BRING THEM RELIEF AND HOPE.

We need your donation to enable us to continue our work for the CARE and WELFARE OF MULTIPLE SCLEROSIS sufferers and to continue our commitment to find the cause and cure of MULTIPLE SCLEROSIS through MEDICAL RESEARCH.



Please help—send a donation today to: Room F.1.,
The Multiple Sclerosis Society of G.B. and N.I., 4 Tachbrook Street, London SW1 1SJ.

SAFIC

Directors: S. Borsook (British) (Chairman and Managing Director); J. Mincer; L. Mincer; D. H. Shapiro; N. Workman.

Saker's Finance and Investment Corporation Limited

Audited preliminary profit announcement

During the 1979 financial year the group has made good progress towards achieving its stated long term objectives. This was greatly assisted by a substantial improvement in the motor vehicle market.

The audited figures for fiscal 1979 include the consolidated results of Lectrolite Products (Proprietary) Limited for the period 26 February 1978 to 31 March 1979.

The dividends expected from Saficon Investments Limited together with the net income of the company, permits a final dividend of 7 cents a share after paying preference dividends. This will make a total of 9 cents for the year (1978 - 4.5 cents). Your board has, in accordance with stated dividend policy, declared a final dividend of 7 cents per share.

The annual report is in the course of preparation and will be circulated to shareholders on or about 25 June 1979.

Consolidated group profits—year ended 31 March 1979

	1979 (R'000)	1978 (R'000)	Increase/ (Decrease) %
Turnover	142 505	114 459	24.5
Net profit before tax and interest	5 088	3 802	33.8
Less: Taxation	2 075	1 656	25.3
Attributable earnings from investments	3 013	2 146	40.4
Less: Interest after taxation	260	178	47.7
Interest	3 273	2 322	41.0
Less: Taxation	831	1 025	(18.9)
Interest of outside shareholders and preference dividends	1 432	1 799	(20.4)
Normal earnings for ordinary shareholders	601	774	(22.4)
Per ordinary share	2 442	1 297	88.3
Earnings (cents)	857	514	66.7
Number of shares in issue	1 585	783	102.4
Ordinary share	33.11	16.36	102.4
Earnings (cents)	9.00	4.50	100.0
Number of shares in issue	4 787 030	4 787 030	

Declaration of ordinary dividend in respect of the financial year ended 31 March 1979

Notice is hereby given that ordinary dividend No. 44 of 7 cents per share was declared by the board of directors on 4 June 1979 in respect of the financial year ended 31 March 1979. This dividend is payable to shareholders registered at the close of business on 8 July 1979. The share transfer register and register of members will be closed from 7 July 1979 to 13 July 1979, both days inclusive.

Dividend warrants will be despatched on or about 31 July 1979. In terms of the Republic of South Africa Income Tax Act of 1962, as amended, non-resident shareholders' tax of 15 per cent will be deducted from dividends payable to shareholders whose addresses are outside the Republic of South Africa.

By order of the board

	Registered Office	Transfer secretaries	Transfer secretaries
Saker's Management Company (Proprietary) Limited Secretaries Per: P. R. Glendinning	11th Floor Cape Town MacLaren Street Johannesburg 2001	South Africa Security Registrars (Proprietary) Limited 16th Floor, Nedfin Place Corner Simmonds and Kerk Streets Johannesburg 2001	England Granby Registrars Services Granby House 85 Southwark Street London SE1 0JA

4 June 1979

Form 438/2

Your opportunity to sell in Korea

Industrial and Trade Fairs International Limited announce a series of major exhibitions to be organised in Koex, the new EXHIBITION CENTRE IN SEOUL, REPUBLIC OF KOREA. The programme commences with:-

KORMARINE '80

International Shipbuilding, Marine Equipment, Ports & Harbours Exhibition, 28 July—4 August 1980.

KORPACK '81

International Packaging Exhibition, 12-19 January 1981.

KORCHEM '81

International Chemical Engineering Exhibition, 2-9 February 1981.

KORTX '81

International Textile Machinery Exhibition, 20-29 July 1981.

KORFISH '81

International Fishing Exhibition, 2-9 November 1981.

For full details, please write to:-

Korean Exhibitions, Industrial and Trade Fairs International Ltd., Radcliffe House, Blenheim Court, SOLIHULL, West Midlands, B91 2BG Tel. 021-705 6707 Telex 337073



EUROBONDS

The Association of International Bond Dealers Quotations and Yields appears monthly in the Financial Times. It will be published in an eight-page format on the following dates in the remainder of 1979:

August 13 September 10 October 15
November 12 December 10

There is a limited amount of advertising space available each month; if your company is interested in taking advantage of this offer please contact:
The Financial Advertising Department on 01-248 8000 Ext. 424 or 389

Companies and Markets

Advance at Dai Nippon Printing

TOKYO—DAI NIPPON Printing Company, the largest printing enterprise in Japan, raised its parent company net profit by 15.3 per cent in the fiscal year to May 31, to ¥15,222bn (¥70.6m), from the previous year's ¥13,200bn.

Sales were ¥373.04bn (¥1.7bn), for a 10.7 per cent increase, from ¥337.89bn. The per-share profit went up to ¥35.32, from ¥30.92.

Sales from printing commercial materials registered a sharp rise, of 13.9 per cent, the company said, to total ¥151.28bn, accounting for 40.2 per cent of business. Sales from printing books and regular periodicals, representing 19.4 per cent of business, came to ¥72.50bn, a 7.3 per cent increase, while those from packaging boxes, plastic and other special wrapping materials rose 9.2 per cent to ¥150.15bn.

Dai Nippon officials said net profit in the current fiscal year will rise 7.8 per cent to ¥16.4bn, on sales of ¥406bn, up 8.6 per cent.

AP-DJ

Nippon Shinpan profit jump

TOKYO—Nippon Shinpan Company, the major Japanese credit sales company, has reported a rise of 55.4 per cent in its consolidated net profit in the year ended March 31 to ¥3.87bn (¥17.5m), from ¥2.49bn in the previous year.

Consolidated sales in the year were up 31.4 per cent to ¥49.82bn, from ¥37.50bn.

AP-DJ

Kajima just ahead

After-tax profits at Kajima Corporation, the major Japanese construction concern, rose by 1.2 per cent in the half-year to May 31, to ¥6.60bn (¥30.6m), from ¥6.52bn in the same period the previous year.

Reuter reports from Tokyo. Sales rose more sharply, by 9.3 per cent to ¥311.63bn (¥1.4bn), from ¥284.91bn. The interim dividend is unchanged, at ¥4.5 per share.

Wheelock Maritime

WHEELOCK MARITIME International has announced a 39 per cent rise in post-tax profit to HK\$54.7m (US\$10.6m) for the year to March, writes Philip Bowring from Hong Kong.

A final dividend of 32.5 cents per "A" share and 3.25 cents per "B" share is being recommended, making a total payout for the year of HK\$28.5m compared with HK\$22.5m for the previous year.

MANY EXPERTS WERE WRONG ABOUT GOLD TONY HENFREY WAS RIGHT!

Out of ten major forecasts Tony recorded seven direct profit scores that might have changed your own outlook and income.

Today many investors all over the world rely on the potent force of Tony Henfrey's GOLD LETTER, a vital key to investment success as it is a remarkably accurate assessment of the Gold price, Gold and the share market and international interest in the future of Gold. Recommendations worldwide are testimony to the thoroughness of Tony Henfrey's GOLD LETTER, which proves IT WORKS! Remember you don't need as many as seven scores. Just one could have made you profit or saved you money.

Tony Henfrey's GOLD LETTER

Dept. FT, P.O. Box 5577, Durban 4000, Republic of South Africa

1 YEAR'S SUBSCRIPTION £70 (24 issues)

1 MONTH'S TRIAL OFFER £17.50 (6 issues)

I wish to receive one free trial copy.

Name:

Address:

City:

Country:

INTNTL. COMPANIES and FINANCE

Export decline hits Toyota Motor Sales group result

BY OUR FINANCIAL STAFF

TOYOTA MOTOR Sales—the marketing arm of the largest Japanese motor concern, has announced a 7.4 per cent fall in net profit on a consolidated basis to ¥23,99bn (¥111m) for the year to March 31, from ¥25.9bn the previous year.

This is a slightly lower rate of fall than that reported in May for the parent company alone, of 9.4 per cent to ¥22.51bn.

The fall in consolidated profits took place in spite of a rise of 6.8 per cent in the value of sales to ¥2,905bn (¥13.4bn), from ¥2,720bn. The parent

company earlier reported a sales gain of 6.4 per cent, to ¥2,810bn.

The company attributed the lower consolidated profits mainly to a decline in exports. Out of overall vehicle sales of 2.34m units, or 4.4 per cent more than the 2.71m the previous year, domestic sales rose by 20.8 per cent to 1.57m units from 1.3m, but exports fell by 10.6 per cent to 1.26m from 1.41m.

The exports decline was attributed mainly to the appreciation of the yen in the foreign exchanges—which reduced

Toyota's competitive strength in the U.S.

The company felt itself unable to predict its consolidated net income and sales for the current business year, because of the uncertain economic outlook.

Higher crude oil prices and the rise in the Bank of Japan's official discount rate from 4.25 per cent to 5.25 per cent, announced on Monday, it was said, would affect sales of Japanese vehicles at home and abroad, but the company could not yet measure the effect on its business.

Shareholders pump more capital into Aluminium Bahrain

BY MARY FRINGS IN BAHRAIN

THE SHAREHOLDERS in Aluminium Bahrain (Alba) are to subscribe an additional US\$30m of capital, to finance the \$120m expansion project for which contracts are due to go out in the autumn.

A syndicated loan to cover the remaining cost has already been arranged, with Gulf International Bank and NatWest as lead managers.

Half the additional capital will be raised by an issue of 1m shares, with a nominal value of one Bahraini Dinar, at a premium of BD 5.

The other half will come from a premium on the trans-

fer price of the metal—the sum paid by the shareholders to Alba to cover its new material and production costs.

The new shares are to be paid for in three instalments. The first, BD1, was called in June, another BD2 is due in November, and the final payment in May next year. Until July 1, the shareholders in Alba were the Bahrain Government (77.9 per cent), Kaiser Aluminium Bahrain (17 per cent) and Breton Investments (4.1 per cent).

An Amiri decree published in Bahrain this week authorised the transfer of 20 per cent of the original 3m shares in Alba

to the Government of Saudi Arabia, reducing the Bahrain Government's holding to 57.9 per cent.

It is understood that the transfer was made at the book value of the shares, based on subtracting the company's debts from its assets, but no price has been made public. The Saudi shares will be held by the General Investment Fund in Saudi Arabia, but Bahrain's Minister for Development and Industry, Mr. Yusuf-Shirawi, said it was expected that the shareholding would be exercised by the Saudi Arabian Basic Industries Corporation.

Rights issue by Hong Leong

BY GEORGIE LEE IN SINGAPORE

HONG LEONG FINANCE, the largest local finance company, has announced a rights issue of three shares for every four shares held at \$1.80 per share.

The rights issue, which has long been awaited, will raise Hong Leong's existing issued capital of \$823.1m to \$940.42m and provide a fresh capital injection of \$27.72m (US\$13m).

The announcement comes with the reporting of a 24 per

cent rise in pre-tax profit to \$89.76m (US\$4.5m). At the post-tax level, the increase was 33.6 per cent to \$59.94m.

Hong Leong also disclosed that it plans to dispose of certain of its investments and transfer up to 28 per cent of the issued capital of its wholly-owned subsidiary, Singapore Finance, to two other companies—Singapore Calvanising Industries (Private) and Euroform (Singapore) Private—to comply

with the stipulated ratio of total investments to capital and published reserves provided in the Finance Companies Act.

At the shareholders' meeting on June 30 this year, shareholders approved a gross dividend of 12 per cent for 1978. Hong Leong expects to be able to recommend a gross dividend of 9 per cent on the enlarged capital of 40.42m shares in the current year, ending December.

Second-half deficit projected by Waltons

By John Rogers in Sydney

WALTONS, THE Sydney-based retail chain, yesterday revealed that the group will incur a large pre-tax trading loss in the second half of its financial year.

The directors warned that the deficit might offset the first half pre-tax earnings of A\$4.45m (US\$6m).

Trading conditions in recent months have been difficult and as a consequence a pre-tax loss on trading operations is anticipated for the second half of the year. It is conceivable that it could offset the pre-tax profits on trading operations disclosed for the six months to January.

Yesterday's announcement has virtually been forced on the board because of circumstances over which it has no control. After nearly a week of takeover speculation the company's own staff fund, Waltons Employee Nominees Company Pty., on Monday announced that it had been approached by an unnamed party with a view to the purchase of its 17.7 per cent stake in the retail group at A\$1.00 a share—well above the recent ruling market price.

The mystery party indicated that it did not intend to make a full takeover bid for the company. Trustees of the company sought an extension of time until next Friday to consider their response.

This is understandable in several of Waltons's executives including the chairman, Mr. John Walton, also serve on the board of the staff fund. The Walton's board yesterday said that they had decided to make the preliminary announcement concerning the company's fortunes on legal advice.

At the same time as announcing the possible loss, the directors revealed that the company had revealed its extensive property holdings by A\$13m. This was the effect of boosting asset backing by about 28 cents a share to just over A\$2.00—and making any bid more expensive.

It cannot be certain that Waltons will post a "net" deficit in the year to July 31 as the board added to the uncertainty yesterday by revealing that its 50 per cent-owned, Barclays Credit Corporation would contribute an A\$2m profit for the year, a number of non-recurring profits of a capital nature would improve the result, and current trading was showing an improvement in sales.

This announcement appears in a matter of record only



The Korea Development Bank

US\$600,000,000

Medium Term Syndicated Loan

managed by

BankAmerica International Group

BT Asia Limited

Lloyds Bank International Limited

Amsterdam-Rotterdam Bank N.V. Asia Pacific Capital Corporation Limited The Bank of Tokyo Ltd.
Chemical Bank International Group Deutsche Bank (Asia Credit) Limited Dresdner (South East Asia) Limited
The Industrial Bank of Japan, Limited Paribas Asia Limited Scandinavian Bank Limited
Standard Chartered Merchant Bank Asia Limited Toronto Dominion Investments (H.K.) Limited
WestLB Asia Limited
and
AL - UBAF Group Bank Bumiputra Malaysia Berhad
BNS International (Hong Kong) Limited Banque Belge Limited - Societe Generale de Banque S.A.
Banque de la Societe Financiere Europeenne - S.F.E. Group Banque Europeenne de Credit (BEC)
Bayerische Landesbank Girozentrale Canadian Imperial Bank of Commerce
Credit Lyonnais Hong Kong (Finance) Ltd. Dai-ichi Kangyo Finance (Hong Kong) Limited
European Arab Bank The Fuji Bank, Limited London & Continental Bankers Limited
The Long-Term Credit Bank of Japan Limited Mitsubishi International Finance Limited
National Bank of North America Nippon Credit International (HK) Ltd.
Sanwa International Finance Limited Sumitomo Finance (Asia) Limited Swiss Bank Corporation
The Taiyo Kobe Bank, Limited The Tokai Bank, Limited

Provided by

Bank of America NT & SA Bankers Trust Company LBI Finance (Hong Kong) Limited
American Express International Banking Corporation Amsterdam-Rotterdam Bank N.V., Tokyo Branch Asia Pacific Capital Corporation Limited
Bank Bumiputra Malaysia Berhad, Bahrain Branch The Bank of New York, New York The Bank of Tokyo Ltd.
The Bank of Yokohama, Ltd. Banque Belge Limited Banque Europeenne de Credit (BEC)
Banque de Paris et des Pays-Bas Bayerische Landesbank International S.A., Luxembourg BNS International (Hong Kong) Limited
Canadian Imperial Bank of Commerce Chemical Bank The Commercial Bank of Australia Ltd. First City Bank
Credit Lyonnais, Singapore Branch Dai-ichi Kangyo Finance (Hong Kong) Limited The Daiwa Bank Limited
Deutsche Bank (Asia Credit) Limited The Development Bank of Singapore Limited Dresdner (South East Asia) Limited
European Arab Bank The Fuji Bank, Limited The Industrial Bank of Japan, Limited Hong Kong Bank
Irving Trust Company Japan International Bank Limited Kreditbank S.A. Luxembourg
Kyowa Finance (Hong Kong) Limited LTCB Asia Limited London & Continental Bankers Limited
The Long-Term Credit Bank of Japan Limited Marine Midland Bank Merrill Lynch International Bank Limited
Mitsubishi International Finance Limited The Mitsubishi Trust and Banking Corporation Mizuho Finance Asia Limited
Mizuho Trust Finance (Hong Kong) Limited National Bank of North America National Westminster Bank Group
Nippon Credit International (HK) Ltd. Partnership Pacific Bank N.V. Sakura International (Hong Kong) Limited
Sanwa International Finance Limited Scandinavian Bank Limited Societe Financiere Europeenne Finance Company N.V.-S.F.E. Group
Societe Generale de Banque S.A. Standard Chartered Bank Limited Standard Chartered Merchant Bank Asia Limited
The Sumitomo Trust Finance (H.K.) Limited The Sumitomo Bank, Limited Hong Kong Branch Swiss Bank Corporation
The Taiyo Kobe Bank, Limited Tokyo-Mitsubishi Bank (Asia) Limited Tokai Asia Limited UBAF Arab American Bank
Toronto Dominion Bank Singapore Branch The Toyo Trust and Banking Company, Limited WestLB Asia Limited
Union Bank Union de Banques Arabes et Financieres - U.B.A.F. Yasuda Trust and Finance (Hong Kong) Limited

July, 1979.

Agent Bankers Trust Company

هكنا من النجل

LONDON STOCK EXCHANGE

Strong pound augurs well for Gilts on eve of long tap stock applications—Equity sections overshadowed

Account Dealing Dates

*First Declara- Last Account
Dealings tions Dealings Day
July 16 July 26 July 27 Aug. 6
July 30 Aug. 9 Aug. 10 Aug. 20
Aug. 13 Aug. 23 Aug. 24 Sept. 3

*New time "dealings may take
place from 9.30 am two business days
earlier.

Another sharp upswing in sterling on foreign exchanges yesterday morning ensured a fresh bout of strength in Government stocks on the eve of today's tenders for the largest-ever tap stock issue of £1.5bn. Only £15 is payable on application, and the stock, Treasury 11 per cent 2003-07, is being issued on a basis which is now looking attractive enough to ensure a big demand from overseas and the domestic institutions. Talk in the market was that the issue is likely to be over-subscribed, and that it could soon command a premium in first-time dealings tomorrow.

The all-round strength of Gilt-edged was the lone feature in

otherwise subdued and drab stock markets. Fresh early rises ranging to a point among the long-term one stage provided an initial prop to leading shares, although investment incentive was the factor was again lacking because of economic and industrial impediments. The tendency to reserve funds for potential sales of Government-held stock in selected concerns also continued.

When tested, the improvement in equities was found to lack substance and values began to drift back with few exceptions. At noon, the FT 30-share index was standing 1.7 higher but it slipped to close only 0.3 better on the day at 487.0. Notably, NatWest Bank responded to interim profits at the top end of market expectations, although enthusiasm was tempered by thoughts that the dividend payment could have been more generous.

All Gilt-edged quotations eased away from the day's highest to leave maximum gains in the

longs of 7, but after the official close of business inquiries began to expand again and prices firmed once more. Most interest was naturally directed at the longs, but the shorts showed improvements extending to 4, usually among low-coupon issues and Treasury 3 per cent 1983 ended that much higher at 83.

Although investment currency rates were automatically lowered in line with the rising pound, sufficient business developed to cushion the decline and despite sterling's strong final advance, the premium closed only 1.1 points down at 194 per cent for an effective level of nearly 7 per cent. Yesterday's S.E. conversion factor was 0.9374 (0.9297).

The recent revival in Traded Options continued and a total of 1.143 contracts were completed, the highest for over a month. Marks and Spencer and Courtauld both attracted a sizeable trade with 293 and 237 deals respectively, while GEC were also active and recorded 124 deals.

NatWest better
NatWest closed 5 up at the day's best of 355p with interim profits at the top end of analysts' estimates outweighing the slightly disappointing dividend payment and the Board's cautious remarks concerning second-half prospects. Still reflecting adverse comment on the first-half figures, Lloyd's lost 5 to 315p. Barclays, the next to report half-yearly results tomorrow, ended unaltered at 490p.

Irish issues took a turn for the better with Allied up 4 at 105p and Bank of Ireland 7 better at 325p. In irregular merchant banks, Winton edged forward 2 to 92p but Kleinwort Benson lost 4 to 130p.

Insurance displayed an easier bias after a quiet trade. A firm undertone was apparent in Breweries, but the level of trade remained negligible. Scottish and Newcastle hardened 1 to 65p, while Whitbread closed at the overnight level of 133p, after 131p, following the annual meeting. In secondary issues, Belhaven recovered slightly from recent dullness to close at 47p, and support was again forthcoming for old speculative favourite Sandeman, 2 up at 85p. Lloyds Gordon also found support and finished 3 to the good at 40p. Distillers, despite the sharp increase in interim profits, Avery gave up 4 to 246p and losses of a few pence were marked against Hawthorn Leslie, 7p, and Expanded Metal, 7p, while smaller-priced issues to give ground included M. Cole, down 3 to 18p. Among the leaders, John Brown drifted off to close

shirled 5 more to 495p. By way of contrast, Timber issues took a distinct turn for the worse. Phoenix Timber, at 130p, gave up the previous day's rise of 7, while further profit-taking left Parker 8 cheaper at 182p. Losses of around 3 were marked against Mallinson-Denny, 64p, and May and Hassell, 7p.

Kitchen Queen down
A firm market of late, Kitchen Queen reacted 3 to 57p in the wake of Monday's announcement that the Industrial and Commercial Finance Corporation has sold its 6.7 per cent stake in the group to a number of institutions. Down 10 the previous day following a placing of 51m shares, MFI continued easier at 158p, down 2, while falls of 7 and 10 respectively were recorded in Barmers, 131p, and J. Beattie & Co., 185p. Regill, on the other hand, hardened 2 to 235p.

Further reports of lower hotel bookings due to the current strength of sterling had little effect on the Hotels sector. Trusthouse Forte eased 2 to 145p, as did Savoy A, at 104p, but Grand Met added 2 to 143p. Full-year results from Wheeler's Restaurants failed to lift the shares above the opening level of 350p, being outweighed by the chairman's warning over current trading.

Siebe Gorman relapse
Miscellaneous Industrials were featured by a late relapse by Siebe Gorman which fell 32 to 168p on news of the annual profits setback. Still concerned about the pending sale of the NEB's 24.4 per cent shareholding, KCL cheapened 4 to 43p, while European Ferries lost 4 to 129p to the accompaniment of reports of a large line of shares to be sold on the market.

Centraway Securities lost 8 to 35p and Virtue receded 6 to 145p, while Leadenhall Sterling declined 5 to 100p as did Applied Computers, to 185p. Channel Tunnel, however, jumped 4 further to 130p on renewed speculation support on hopes that a tunnel may yet materialise. R. and I. Nathan put on 3 to 69p in response to Press comment and Brengreen hardened 1 to 21p for a similar reason.

Highgate and closed unaltered at 49p; the price in yesterday's issue was incorrect. Quiet trading conditions prevailed in the leaders which closed mixed. Bechem lost 3 to 83p and Unilever cheapened 2 to 45p but Rover edged up 2 to 194p as did Tynard and Newall, to 118p.

Caledonian Associated Cinemas again met with support and put on 10 for a two-day gain of 30 at 630p to the accompaniment of bid talk. Motor sectors plotted an irregular course in a subdued trade. Relis-Royce, at 73p, recovered 1 of the previous

day's fall of 4 while, among Distributors, Arlington firmed a couple of pence to 105p in response to the annual results. Lex Service added a similar amount to 83p; the interim statement is expected next Tuesday. Appleyard, 81p, and Henlys, 107p, both put on 2, but Harold Perry gave up that amount to 126p.

Dowry rose 4 to 315p anticipating good earnings from Chinese mining equipment orders, but recently firm Flight Refuelling came in for profit-taking and fell 5 at 206p.

Among printing, issues, Woodrow Wyatt hardened a penny to 32p following the return to profits and the company's guarded confidence over current trading. Advertising agency Saatchi and Saatchi, on the other hand, eased 4 at 120p.

The announcement that Property and Reversionary Investment had disposed of its entire 18.2 per cent interest in Property Holding and Investment Trust through the market, at around 360p per share, prompted a rise of 5 to 147p in the former but brought a reaction of 3 to 387p in the latter. Stock Conversion rose 4 to 374p in front of today's preliminary results, while similar improvements were recorded in Bradford, 427p, and Warnford, 424p.

Oils little altered
Oil shares held up reasonably well despite the prevailing quiet conditions. British Petroleum drifted a little easier to 1,225p, down 5, but Shell traded quietly around the overnight closing level of 334p. Among secondary issues, Siebens (UK), helped by late support, closed 10 finer at 330p, while Oil Exploration edged up 2 to 264p and Barmah firmed a penny to 144p.

Profit-taking was again evident in the Shipping sector. Despite the virtual standstill in interim profits, Allied Textile closed 4 better at 144p, buoyed by a useful dividend increase and the 20 per cent scrip issue.

Gold easier
South African Golds failed to respond to the continuing conditions of the bullion prices, as nervousness over the latter's ability to sustain its recent strength brought out small scattered selling. This was demonstrated by a flurry of American selling to the afternoon as the price slipped a dollar from its morning level. The Gold Mines index gave up 2.5 to 181.5, with sterling prices additionally weakened by a lower investment premium, while the ex-premium index eased 1.0 to 191.7.

Among heavyweights, losses of

FINANCIAL TIMES STOCK INDICES

	July 24	July 23	July 22	July 21	July 20	July 19	July 18	July 17	July 16	July 15	July 14	July 13	July 12	July 11	July 10	July 9	July 8	July 7	July 6	July 5	July 4	July 3	July 2	July 1	June 30	June 29	June 28	June 27	June 26	June 25	June 24	June 23	June 22	June 21	June 20	June 19	June 18	June 17	June 16	June 15	June 14	June 13	June 12	June 11	June 10	June 9	June 8	June 7	June 6	June 5	June 4	June 3	June 2	June 1	May 31	May 30	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	April 30	April 29	April 28	April 27	April 26	April 25	April 24	April 23	April 22	April 21	April 20	April 19	April 18	April 17	April 16	April 15	April 14	April 13	April 12	April 11	April 10	April 9	April 8	April 7	April 6	April 5	April 4	April 3	April 2	April 1	March 31	March 30	March 29	March 28	March 27	March 26	March 25	March 24	March 23	March 22	March 21	March 20	March 19	March 18	March 17	March 16	March 15	March 14	March 13	March 12	March 11	March 10	March 9	March 8	March 7	March 6	March 5	March 4	March 3	March 2	March 1	February 29	February 28	February 27	February 26	February 25	February 24	February 23	February 22	February 21	February 20	February 19	February 18	February 17	February 16	February 15	February 14	February 13	February 12	February 11	February 10	February 9	February 8	February 7	February 6	February 5	February 4	February 3	February 2	February 1	January 31	January 30	January 29	January 28	January 27	January 26	January 25	January 24	January 23	January 22	January 21	January 20	January 19	January 18	January 17	January 16	January 15	January 14	January 13	January 12	January 11	January 10	January 9	January 8	January 7	January 6	January 5	January 4	January 3	January 2	January 1	December 31	December 30	December 29	December 28	December 27	December 26	December 25	December 24	December 23	December 22	December 21	December 20	December 19	December 18	December 17	December 16	December 15	December 14	December 13	December 12	December 11	December 10	December 9	December 8	December 7	December 6	December 5	December 4	December 3	December 2	December 1	November 30	November 29	November 28	November 27	November 26	November 25	November 24	November 23	November 22	November 21	November 20	November 19	November 18	November 17	November 16	November 15	November 14	November 13	November 12	November 11	November 10	November 9	November 8	November 7	November 6	November 5	November 4	November 3	November 2	November 1	October 31	October 30	October 29	October 28	October 27	October 26	October 25	October 24	October 23	October 22	October 21	October 20	October 19	October 18	October 17	October 16	October 15	October 14	October 13	October 12	October 11	October 10	October 9	October 8	October 7	October 6	October 5	October 4	October 3	October 2	October 1	September 30	September 29	September 28	September 27	September 26	September 25	September 24	September 23	September 22	September 21	September 20	September 19	September 18	September 17	September 16	September 15	September 14	September 13	September 12	September 11	September 10	September 9	September 8	September 7	September 6	September 5	September 4	September 3	September 2	September 1	August 31	August 30	August 29	August 28	August 27	August 26	August 25	August 24	August 23	August 22	August 21	August 20	August 19	August 18	August 17	August 16	August 15	August 14	August 13	August 12	August 11	August 10	August 9	August 8	August 7	August 6	August 5	August 4	August 3	August 2	August 1	July 31	July 30	July 29	July 28	July 27	July 26	July 25	July 24	July 23	July 22	July 21	July 20	July 19	July 18	July 17	July 16	July 15	July 14	July 13	July 12	July 11	July 10	July 9	July 8	July 7	July 6	July 5	July 4	July 3	July 2	July 1	June 30	June 29	June 28	June 27	June 26	June 25	June 24	June 23	June 22	June 21	June 20	June 19	June 18	June 17	June 16	June 15	June 14	June 13	June 12	June 11	June 10	June 9	June 8	June 7	June 6	June 5	June 4	June 3	June 2	June 1	May 31	May 30	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	April 30	April 29	April 28	April 27	April 26	April 25	April 24	April 23	April 22	April 21	April 20	April 19	April 18	April 17	April 16	April 15	April 14	April 13	April 12	April 11	April 10	April 9	April 8	April 7	April 6	April 5	April 4	April 3	April 2	April 1	March 31	March 30	March 29	March 28	March 27	March 26	March 25	March 24	March 23	March 22	March 21	March 20	March 19	March 18	March 17	March 16	March 15	March 14	March 13	March 12	March 11	March 10	March 9	March 8	March 7	March 6	March 5	March 4	March 3	March 2	March 1	February 29	February 28	February 27	February 26	February 25	February 24	February 23	February 22	February 21	February 20	February 19	February 18	February 17	February 16	February 15	February 14	February 13	February 12	February 11	February 10	February 9	February 8	February 7	February 6	February 5	February 4	February 3	February 2	February 1	January 31	January 30	January 29	January 28	January 27	January 26	January 25	January 24	January 23	January 22	January 21	January 20	January 19	January 18	January 17	January 16	January 15	January 14	January 13	January 12	January 11	January 10	January 9	January 8	January 7	January 6	January 5	January 4	January 3	January 2	January 1	December 31	December 30	December 29	December 28	December 27	December 26	December 25	December 24	December 23	December 22	December 21	December 20	December 19	December 18	December 17	December 16	December 15	December 14	December 13	December 12	December 11	December 10	December 9	December 8	December 7	December 6	December 5	December 4	December 3	December 2	December 1	November 30	November 29	November 28	November 27	November 26	November 25	November 24	November 23	November 22	November 21	November 20	November 19	November 18	November 17	November 16	November 15	November 14	November 13	November 12	November 11	November 10	November 9	November 8	November 7	November 6	November 5	November 4	November 3	November 2	November 1	October 31	October 30	October 29	October 28	October 27	October 26	October 25	October 24	October 23	October 22	October 21	October 20	October 19	October 18	October 17	October 16	October 15	October 14	October 13	October 12	October 11	October 10	October 9	October 8	October 7	October 6	October 5	October 4	October 3	October 2	October 1	September 30	September 29	September 28	September 27	September 26	September 25	September 24	September 23	September 22	September 21	September 20	September 19	September 18	September 17	September 16	September 15	September 14	September 13	September 12	September 11	September 10	September 9	September 8	September 7	September 6	September 5	September 4	September 3	September 2	September 1	August 31	August 30	August 29	August 28	August 27	August 26	August 25	August 24	August 23	August 22	August 21	August 20	August 19	August 18	August 17	August 16	August 15	August 14	August 13	August 12	August 11	August 10	August 9	August 8	August 7	August 6	August 5	August 4	August 3	August 2	August 1	July 31	July 30	July 29	July 28	July 27	July 26	July 25	July 24	July 23	July 22	July 21	July 20	July 19	July 18	July 17	July 16	July 15	July 14	July 13	July 12	July 11	July 10	July 9	July 8	July 7	July 6	July 5	July 4	July 3	July 2	July 1	June 30	June 29	June 28	June 27	June 26	June 25	June 24	June 23	June 22	June 21	June 20	June 19	June 18	June 17	June 16	June 15	June 14	June 13	June 12	June 11	June 10	June 9	June 8	June 7	June 6	June 5	June 4	June 3	June 2	June 1	May 31	May 30	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	April 30	April 29	April 28	April 27	April 26	April 25	April 24	April 23	April 22	April 21	April 20	April 19	April 18	April 17	April 16	April 15	April 14	April 13	April 12	April 11	April 10	April 9	April 8	April 7	April 6	April 5	April 4	April 3	April 2	April 1	March 31	March 30	March 29	March 28	March 27	March 26	March 25	March 24	March 23	March 22	March 21	March 20	March 19	March 18	March 17	March 16	March 15	March 14	March 13	March 12	March 11	March 10	March 9	March 8	March 7	March 6	March 5	March 4	March 3	March 2	March 1	February 29	February 28	February 27	February 26	February 25	February 24	February 23	February 22	February 21	February 20	February 19	February 18	February 17	February 16	February 15	February 14	February 13	February 12	February 11	February 10	February 9	February 8	February 7	February 6	February 5	February 4	February 3	February 2	February 1	January 31	January 30	January 29	January 28	January 27	January 26	January 25	January 24	January 23	January 22	January 21	January 20	January 19	January 18	January 17	January 16	January 15	January 14	January 13	January 12	January 11	January 10	January 9	January 8	January 7	January 6	January 5	January 4	January 3	January 2	January 1	December 31	December 30	December 29	December 28	December 27	December 26	December 25	December 24	December 23	December 22	December 21	December 20	December 19	December 18	December 17	December 16	December 15	December 14	December 13	December 12	December 11	December 10	December 9	December 8	December 7	December 6	December 5	December 4	December 3	December 2	December 1	November 30	November 29	November 28	November 27	November 26	November 25	November 24	November 23	November 22	November 21	November 20	November 19	November 18	November 17	November 16	November 15	November 14	November 13	November 12	November 11	November 10	November 9	November 8	November 7	November 6	November 5	November 4	November 3	November 2	November 1	October 31	October 30	October 29	October 28	October 27	October 26	October 25	October 24	October 23	October 22	October 21	October 20	October 19	October 18	October 17	October 16	October 15	October 14	October 13	October 12	October 11	October 10	October 9	October 8	October 7	October 6	October 5	October 4	October 3	October 2	October 1	September 30	September 29	September 28	September 27	September 26	September 25	September 24	September 23	September 22	September 21	September 20	September 19	September 18	September 17	September 16	September 15	September 14	September 13	September 12	September 11	September 10	September 9	September 8	September 7	September 6	September 5	September 4	September 3	September 2	September 1	August 31	August 30	August 29	August 28	August 27	August 26	August 25	August 24	August 23	August 22	August 21	August 20	August 19	August 18	August 17	August 16	August 15	August 14	August 13	August 12	August 11	August 10	August 9	August 8	August 7	August 6	August 5	August 4	August 3	August 2	August 1	July 31	July 30	July 29	July 28	July 27	July 26	July 25	July 24	July 23	July 22	July 21	July 20	July 19	July 18	July 17	July 16	July 15	July 14	July 13	July 12	July 11	July 10	July 9	July 8	July 7	July 6	July 5	July 4	July 3	July 2	July 1	June 30	June 29	June 28	June 27	June 26	June 25	June 24	June 23	June 22	June 21	June 20	June 19	June 18	June 17	June 16	June 15	June 14	June 13	June 12	June 11	June 10	June 9	June 8	June 7	June 6	June 5	June 4	June 3	June 2	June 1	May 31	May 30	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	April 30	April 29	April 28	April 27	April 26	April 25	April 24	April 23	April 22	April 21	April 20	April 19	April 18	April 17	April 16	April 15	April 14	April 13	April 12	April 11	April 10	April 9	April 8	April 7	April 6	April 5	April 4	April 3	April 2	April 1	March 31	March 30	March 29	March 28	March 27	March 26	March 25	March 24	March 23	March 22	March 21	March 20	March 19	March 18	March 17	March 16	March 15	March 14	March 13	March 12	March 11	March 10	March 9	March 8	March 7	March 6	March 5	March 4	March 3	March 2	March 1	February 29	February 28	February 27	February 26	February 25	February 24	February 23	February 22	February 21	February 20	February 19	February 18	February 17	February 16	February 15	February 14	February 13	February 12	February 11	February 10	February 9	February 8	February 7	February 6	February 5	February 4	February 3	February 2	February 1	January 31	January 30	January 29	January 28	January 27	January 26	January 25	January 24	January 23	January 22	January 21	January 20	January 19	January 18	January 17	January 16	January 15	January 14	January 13	January 12	January 11	January 10	January 9	January 8	January 7	January 6	January 5	January 4	January 3	January 2	January 1	December 31	December 30	December 29	December 28	December 27	December 26	December 25	December 24	December 23	December 22	December 21	December 20	December 19	December 18	December 17	December 16	December 15	December 14	December 13	December 12	December 11	December 10	December 9	December 8	December 7	December 6	December 5	December 4	December 3	December 2	December 1	November 30	November 29	November 28	November 27	November 26	November 25	November 24	November 23	November 22	November 21	November 20	November 19	November 18	November 17	November 16	November 15	November 14	November 13	November 12	November 11	November 10	November 9	November 8	November 7	November 6	November 5	November 4	November 3	November 2	November 1	October 31	October 30	October 29	October 28	October 27	October 26	October 25	October 24	October 23	October 22	October 21	October 20	October 19	October 18	October 17	October 16	October 15	October 14	October 13	October 12	October 11	October 10	October 9	October 8	October 7	October 6	October 5	October 4	October 3	October 2	October 1	September 30	September 29	September 28	September 27	September 26	September 25	September 24	September 23	September 22	September 21	September 20	September 19	September 18	September 17	September 16	September 15	September 14	September 13	September 12	September 11	September 10	September 9	September 8	September 7	September 6	September 5
--	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	-------	-------	-------	-------	-------	-------	-------	-------	-------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	---------	---------	---------	---------	---------	---------	---------	---------	---------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	---------	---------	---------	---------	---------	---------	---------	---------	---------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	-------	-------	-------	-------	-------	-------	-------	-------	-------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	---------	---------	---------	---------	---------	---------	---------	---------	---------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	---------	---------	---------	---------	---------	---------	---------	---------	---------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	-------	-------	-------	-------	-------	-------	-------	-------	-------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	---------	---------	---------	---------	---------	---------	---------	---------	---------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	---------	---------	---------	---------	---------	---------	---------	---------	---------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	-------	-------	-------	-------	-------	-------	-------	-------	-------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	---------	---------	---------	---------	---------	---------	---------	---------	---------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	---------	---------	---------	---------	---------	---------	---------	---------	---------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	-------------	-------------	-------------	-------------	-------------

OFFSHORE AND OVERSEAS FUNDS

Prices do not include \$ premium, except where indicated, and are in pence unless otherwise indicated. Fields 7a (shown in last column) allow for all buying expenses. A Offered prices include all expenses. 7b Today's prices. A Valid based on offer price. B Estimated. 7c Today's opening price. D Distribution free. 7d Unit sales. E Periodic premium plans. F Single premium insurance. G Offered price includes all expenses except agent's commission. H Offered price includes all expenses if bought through managers. 7e Net of tax on realized capital gains unless indicated by \$, 5. Currency gross.

Wednesday July 25 1979

PROJECT MANAGEMENT

Bernard Thorpe

LONDON, SW1 TEL: 01-834 6890

More nuclear waste tests planned for UK

BY DAVID FISHLOCK, SCIENCE EDITOR

THE GOVERNMENT has named another 11 areas of England, Wales and Scotland in which it proposes to make test borings to see whether the rock structure might be suitable for storing highly radioactive nuclear waste.

The announcement, in a written Parliamentary reply from Mr. Michael Heseltine, Secretary for the Environment, confirms the Government's determination to proceed with its research programme into ways of permanently disposing of nuclear waste.

The research has been hampered by the activities of national groups opposed to nuclear energy, in addition to local objections to attempts to make test borings.

All test borings in Britain, for whatever purpose, are subject to local planning permission.

Three applications for drillings by the UK Atomic Energy Authority—two in Northumberland and one in Kyle and Carrick—were refused under an earlier programme. But a fourth, in Caithness, was approved and drilling began last winter.

The 11 areas where drilling is proposed on the basis of studies by the Institute of Geological Sciences are in Cheshire, Cumbria, Crumlin, Gwynedd-Powys, Highlands, Leicestershire-Nottinghamshire, Northumberland, Somerset, Strathclyde, Western Isles, and Herefordshire-Worcestershire.

The new areas are regions of soft rock—salt or clay—whereas the previous four applications for drilling were all in hard rocks.

Either type holds possibilities of providing a safe repository for radioactive wastes, the geologists believe. They consider that about 16 per cent of Britain's land mass is potentially suitable.

Mr. Heseltine, in his statement yesterday, stressed that any decision to experiment with the burial of radioactive waste would be the subject of a separate planning inquiry.

The UK Atomic Energy Authority believed that Britain might be ready to choose a site for trials in radioactive waste burial—it should need one—by about the mid-1980s, although it would probably not

wish to deposit waste permanently there for another 20-30 years.

But the geologists will first need at least seven years to satisfy themselves of the long-term safety of the rock structure chosen.

Their efforts are being backed by the unwillingness of local authorities to permit investigations. The Flowers report on the environmental consequences of nuclear power, in 1976 recommended that Britain should be putting a greater scientific effort into the problems of waste disposal.

In March this year, Sir Denis Wilkinson, chairman of the Advisory Committee on Radioactive Waste Management, set up by the Department of the Environment in the wake of the Flowers report, wrote to Mr. Peter Shore, then Environment Secretary, warning that unless the drilling programme proceeded his committee would be unable to tender useful advice.

Sir Denis said that local objections were founded on fundamental misunderstandings of the purpose and nature of the work.

Steady fall in adult jobless halts as vacancies decline

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

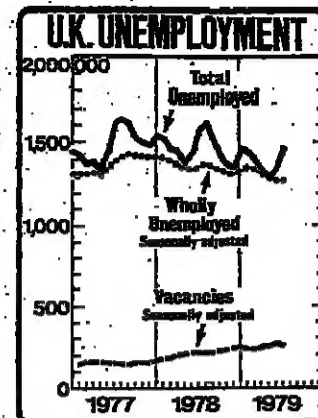
THE STEADY fall in adult unemployment in the spring and early summer has come to a halt over the last month, while notified vacancies have started to decline.

It is too early to conclude that a turning point has occurred, since there is other evidence of a strong labour market, especially in London and the South-East.

But most economists and policymakers believe that unemployment will rise sharply over the next 12 to 18 months because of the combination of recession and a squeeze on public sector manpower.

Department of Employment figures published yesterday show that the number of adults out of work in the UK was unchanged in the month to mid-July at 1.28m on a seasonally-adjusted basis. This is equivalent to 5.3 per cent of the work force.

But many school-leavers start



years. There are, however, several signs that labour is still short in some areas.

Yet the halt to the fall in unemployment at least raises a question about the underlying direction. After a drop of 81,500 in the last year,

Similarly, a fall of 9,400 to 253,000 in the number of vacancies notified to employment offices in the last month is in marked contrast to the rise in the total over the last year. The July figure is apart from the previous month—the highest level for vacancies since November 1974.

The turning point is, however, unlikely to be more than a few months away, given that the growth of total output is soon expected to slacken.

Last week the Organisation for Economic Co-operation and Development projected a rise in the rate to over 6 per cent during the first half of 1980, equivalent to a rise of between 180,000 and 200,000. Whitehall projections are unlikely to be very different.

The Government's job support measures have had a growing impact over the last month. The estimated number kept off the register is 15,000 higher at 190,000, chiefly because of the increasing total benefit from the temporary short-time working compensation scheme.

Unemployment map, Page 7

Profits 'could be halved'

THE REAL profitability of British companies could be halved this year to about 3 per cent, excluding the North Sea sector, Sir John Green, chairman of the CMAA, told an FT conference yesterday. This compared with about 10 per cent in the late 1960s.

Report, Page 6

ted to look for work and this was the main reason for a 120,000 rise in the unadjusted UK total over the last month to 1.46m.

The number of school-leavers on the register rose by nearly 72,000 to 215,000. This is 27,700 lower than a year ago, in spite of an increasing number of pupils leaving school.

The large number of unemployed school-leavers has been a major factor in the trend in recent summers and may have done so again this

China and Russia lodge border incident protests

BY OUR FOREIGN STAFF

CHINA and the Soviet Union lodged formal protests against each other yesterday after an incident on July 16 on their border in which a Chinese official was killed.

The incident, which appears to be the most serious since a similar clash in May 1978, is likely to sour Sino-Soviet relations just as plans are being made for talks on improving relations.

The Chinese Government said through the New China News Agency that Soviet frontier troops killed a party official and wounded a farm veterinarian after an ambush in the Tersadi area of Xinjiang province.

The dead man, named as Li Baocun, and the wounded man named as Burunbutun, were then dragged into Soviet territory according to the Chinese.

The USSR says the incident occurred as Soviet border troops intercepted a patrol of four armed Chinese soldiers about half-a-mile inside territory.

This is the first incident to prompt formal protests since May last year, when Soviet and Chinese troops clashed in the same area. Tension is constant along the border and less dramatic incidents are understood to occur frequently.

Relations between China and the USSR have deteriorated in parallel with those between China and Vietnam. Soon after China's invasion of Vietnam in February this year—the Chinese Government cancelled its almost-expired Sino-Soviet Friendship Treaty.

Agreement in June between the two countries to open talks on how relations could be improved surprised many observers.

The names of Mr. Rockefeller and Mr. Jones are among those touted as the new nominee for Fed. chairman to replace Mr. Miller.

Mr. Miller is to make his first appearance on Friday before the Senate Finance Committee to be confirmed as Treasury Secretary. He has promised he will not leave the Fed. Board until the Senate confirmation of his successor is well under way.

But Mr. Carter's delay on a new appointment has cast doubt on whether the Senate banking committee can approve a new Fed. chairman before Congress starts its summer recess on August 3. The recess lasts until September 5.

Weather

UK TODAY
DRY and sunny in South. Some rain in North.

London, S.E., S.W., Cent.
England, Channel Islands
Dry. Max 21C (70F).
E. Cent., N. England, Midlands, E. Anglia
Bright, some cloud and rain. Max 21C (70F).
Wales, N.E., N.W. England, Lake District, Isle of Man, Borders, Edinburgh and Dundee, Glasgow, S.W. Scotland, Ireland and Northern Ireland
Cloudy with some rain. Max 17C (63F).

Rest of Scotland
Sunny intervals with some showers. Max 16C (61F).
Outlook: Cloud, some rain in South, sunny intervals in North.

WORLDWIDE

	Y'day	Today	Y'day	Today	
Alaska	26	75	L. Pms.	23	73
Algeria	27	81	Lieboon	28	82
Amman	27	83	London	24	76
Antwerp	27	83	London	24	76
Bahrain	27	83	London	24	76
Batavia	27	83	London	24	76
Bombay	27	83	London	24	76
Buenos Aires	27	83	London	24	76
Calcutta	27	83	London	24	76
Canton	27	83	London	24	76
Cebu	27	83	London	24	76
Colon	27	83	London	24	76
Hankow	27	83	London	24	76
Hong Kong	27	83	London	24	76
Kobe	27	83	London	24	76
London	27	83	London	24	76
Lyons	27	83	London	24	76
Manila	27	83	London	24	76
Medan	27	83	London	24	76
Meppen	27	83	London	24	76
Moscow	27	83	London	24	76
Mumbai	27	83	London	24	76
Nairobi	27	83	London	24	76
Paris	27	83	London	24	76
Peking	27	83	London	24	76
Rangoon	27	83	London	24	76
Reykjavik	27	83	London	24	76
Rome	27	83	London	24	76
Singapore	27	83	London	24	76
Sourabaya	27	83	London	24	76
Taipei	27	83	London	24	76
Tokyo	27	83	London	24	76
Yokohama	27	83	London	24	76

C-Cloudy, F-Fair, B-Brain, S-Sunny.

THE LEX COLUMN

A cash bubble at British Gas

For some hours yesterday morning it looked as though the preliminary Treasury subscription at the Watney Street box-office. When the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

During the day, the cash began to flow, it was widely assumed that investors were selling their stocks to finance their tender for a new tax, but as the market closed last night brokers and themselves with falling applications than they expected. The stock will probably be just fully subscribed at the minimum price of 50p, there should be plenty of solid demand from life insurance companies with long liabilities to match, but the stage may not be as much in evidence as they have recently been.

Jenkins eases way for uranium pact

BY DAVID FISHLOCK AND GUY DE JONQUIERES

BRITAIN and Australia yesterday signed a bilateral nuclear safeguards agreement for the supply of uranium to Britain during the 1980s.

The signing took place in London a year after a previous attempt aborted at the last minute when the EEC Commission refused to give its approval. This approval was needed under the Euratom Treaty.

Yesterday France, which also wanted to sign a bilateral safeguards agreement with Australia, presented its EEC partners with demands for a revision of the Euratom Treaty which would effectively strip Euratom of its authority over nuclear fuels and fuel services.

Model

The Anglo-Australian agreement opens the way to commercial contracts under which Britain expects to purchase 1,000-1,300 tonnes of Australian uranium a year during the 1980s. The Australian Government believes that its safeguards agreement—based on conditions laid down in May, 1977—meets the objectives of both countries and will serve as a model for other bilateral safeguards agreements.

Britain has been in discussion with the EEC Commission since 1977 to get a Euratom agreement that would obviate any necessity for the Nine to negotiate independently with Australia.

Euratom is still not ready to sign such a treaty with Australia. But the EEC Commission's objections to the bilateral pact evaporated after an intervention by Mrs. Margaret Thatcher when she tackled Mr. Roy Jenkins, president of the Commission, last month.

What is not clear is whether Britain has created a precedent which will allow other EEC members to negotiate bilateral

safeguards agreements for Australian uranium, thereby weakening the authority of Euratom.

An exchange of letters between the two governments specifies that the two nations will agree to reconsider their treaty before the end of 1982 if no Australia-Euratom agreement exists by then.

Suspicions

The French demands were listed in an official memorandum circulated at a Foreign Ministers' Council meeting in Brussels. It said that the Euratom Treaty, signed in 1957, was out of date and should be adapted in line with the growing importance of nuclear power as a source of energy.

The memorandum received a wary, indeed hostile, response from several other governments. There is a strong suspicion among France's partners that it is seeking the treaty revisions mainly in an effort to build up a position of unassailable dominance over the European nuclear industry.

Monopoly

Chapter six of the Euratom Treaty requires the Euratom supply agency to exercise a monopoly over nuclear supplies. These far-reaching powers have never been exercised, but last November the European Court of Justice ordered that the treaty must be fully enforced. Kenneth Morrison, writer for Rio Algom, a Canadian mining subsidiary of RTZ, intends to resell 500,000 lbs of uranium oxide it delivered to Eldorado Nuclear, the Canadian state-owned nuclear fuel supplier, for refining on behalf of the U.S. Tennessee Valley Authority if the TVA fails to pay Rio Algom the \$22.7m (\$9.9m) due for the purchase.

Thatcher rules out early cut in MLR

By Elinor Goodman, Lobby Staff

THE PRIME Minister made it clear yesterday that there was absolutely no question of a cut in the minimum lending rate as long as demand for credit and bank borrowing remained at its present high rate.

To the evident relief of MPs on her own side she also dismissed the suggestion, made this week by one of her economic advisers, that a Conservative Government might stop tax relief on mortgages.

Asked by Mr. James Callaghan to comment on the suggestion, made by Professor Douglas Hague at a Financial Times conference on Monday, she said she was "delighted to deny it. One's advisers are not always right and I tell them so."

In the light of the Government's declared determination to cut down on businessmen's perks and other fringe tax benefits, the suggestion had just enough credibility to worry some Tory backbenchers who have only reluctantly reconciled themselves to the likelihood of interest rates staying at their present high rate for some time to come.

The Prime Minister, who in spite of noisy heckling by Labour backbenchers was in a very confident mood, was equally emphatic about the Government's determination to maintain the present high level of interest rates as long as they were needed.

Mrs. Thatcher refused to give any undertaking about a future cut in MLR but instead endorsed the general line taken by the Chancellor last week and insisted that interest rates would have to remain high as long as the "tremendous amount" of borrowing continued.

She repeated that it was the Government's long term intention to reduce public expenditure as a proportion of total national income. But for the moment, she said, the task was to "constrain it from growing further."

Later in the afternoon, during a debate on the cuts in regional aid announced last week, Sir Keith Joseph, the Industry Secretary, announced that the eight English regional economic planning councils are to be axed. The regional planning boards, which are staffed by civil servants are to be maintained.

Parliament, Page 8

Continued from Page 1

Continued from Page 1

Continued from Page 1

Continued from Page 1

Blumenthal doubts

new role, will be tailoring President Carter's policies for re-election.

Mr. Miller said yesterday that he was very confident that at the Treasury he would have direct access to the President and the strongest of roles to play in shaping economic policy. Otherwise, he would not have given up his security of tenure as chairman of the independent Fed.

It also transpired from inside the Treasury that the job of Treasury Secretary was first offered to Mr. David Rockefeller, chairman of Chase Manhattan Bank, and to Mr. Reginald Jones, chairman of General Electric, before Mr. Miller accepted it.

The names of Mr. Rockefeller and Mr. Jones are among those touted as the new nominee for Fed. chairman to replace Mr. Miller.

Mr. Miller is to make his first appearance on Friday before the Senate Finance Committee to be confirmed as Treasury Secretary. He has promised he will not leave the Fed. Board until the Senate confirmation of his successor is well under way.

But Mr. Carter's delay on a new appointment has cast doubt on whether the Senate banking committee can approve a new Fed. chairman before Congress starts its summer recess on August 3. The recess lasts until September 5.



Or, indeed, of